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FINANCIAL TIMES
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SOUTH KOREA
Putting up with an enviable "crisis"
Page 4

World News

More storms predicted as death toll reaches 39

At least 39 people have died in two days across eight countries as ferocious gales continued to batter northern Europe, with more high winds predicted today.

For the third day, coastal defences in Britain, which suffered widespread floods, and the Netherlands were under attack and shipping in the English Channel and Irish Sea was badly disrupted. Page 8

Cambodians split
Cambodia's warring groups remained divided over a United Nations role in an interim administration ahead of elections on the first day of peace talks in Jakarta, amid reports of intensified fighting in western Cambodia. Page 4

Colombia violence
Political violence is rising again in Colombia, after six months of a drugs war and official assurances that paramilitary gangs had been largely broken up. Page 6

Nepal student strike
Thousands of defiant teachers and students of the sprawling Tribhuvan University in Katmandu, capital of Nepal, began a "pen-down" strike to support demands for democratic rights as part of a campaign for a multi-party system and free elections. Page 4

Enrile arrested
Senator Juan Ponce Enrile, former Philippines defence minister and main leader of the opposition to Mrs Corazon Aquino's government, was arrested on charges of rebellion and murder in an attempt to overthrow Mrs Aquino last December. Page 4

Israel to back US
Israeli Defence Minister Yitzhak Rabin said he was sure the Jewish state would support the latest US proposal for peace talks with Palestinians.

Thirty die in India
At least 30 people were killed in large-scale violence in the north Indian state of Bihar in state assembly elections.

Polish-Israeli ties
Poland and Israel formally restored diplomatic ties ending 23 years of official estrangement. Israeli Foreign Minister Moshe Arens and Polish Foreign Minister Krzysztof Skubiszewski signed documents restoring relations broken off by Poland during the 1967 Arab-Israeli war.

Cooper 'sentenced'
A report by a United Nations official that Mr Roger Cooper, a British businessman jailed in Tehran since December 1985, has been sentenced to 10 years' imprisonment, cannot be confirmed, the British Foreign Office said.

US sanctions to go
US Assistant Secretary of State Bernard Aronson said US economic sanctions imposed on Nicaragua in 1985 in a bid to topple the country's leftist government would be lifted soon.

Apartheid attack
South African church leader Frank Chikane accused Britain of supporting apartheid and said its stand against sanctions could harm future relations with a free South Africa.

Unionists 'killed'
International Labour Organisation expressed concern at reported killings of Chinese trade unionists last May shortly before the Government ordered a bloody army crackdown against a pro-democracy movement.

Yugoslavs plan talks
Yugoslav opposition groups plan to hold talks between Serbian and ethnic Albanian activists and politicians from Kosovo to try to end weeks of unrest in the province.

Business Summary

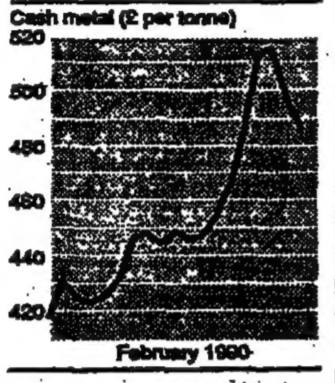
Unilever raises annual profits 24% to £1.8bn

UNILEVER, the Anglo-Dutch food and consumer products group, increased pre-tax profits by 24 per cent to £1.8bn ($3.1bn) in 1989.

If the pound had not declined over the year, the advance in sterling terms would have been only 13 per cent. Page 21

MARKETS: Lead prices were pushed up £68 to a 10-year high of £515 a tonne on the LME last week because of concern over low stocks and various production disruptions. This week, the cash price has fallen back £27.50 and the premium over three months has narrowed to £60 a tonne. Page 32.

Lead
Cash metal (£ per tonne)



Weak US durable goods orders and intervention by the US Federal Reserve to support the yen led to a slight weakening of the dollar against most major currencies. Page 30; Currencies, Page 40.

HABITAT UK, foundation of Sir Terence Conran's Storehouse retailing empire, is to cut drastically its UK operations in an attempt to reverse operating losses. Page 21

DYNO INDUSTRIER, Norwegian chemicals and explosives company, and AHB-Chemie, East German chemicals trading company, are to form a 50/50 joint venture company. Page 22

TURNER Broadcasting System, cable television empire of Mr Ted Turner, filed suit against Drexel Burnham Lambert alleging fraud and securities violations. Page 24

AMERICAN Express is to pour another $750m of capital into Shearson Lehman Hutton, its US investment banking subsidiary, threatened with a credit downgrading last year because of an acute capital shortage. Page 24

WHITLAM Turnbull: Nicholas Whitlam resigned as managing director of Australian investment bank after an acrimonious clash with colleague Malcolm Turnbull. Page 25

EASTERN Europe's economic and political reforms are likely to damage the region's already fragile financial position, at least initially, says a report by the OECD. Page 2

FRANCE'S annual inflation rate dropped to 3.4 per cent in January, compared with 3.6 per cent the previous month. Page 3

IEP SECURITIES, UK investment vehicle of New Zealand businessman Sir Ronald Brierley, has built up a 9.29 per cent stake in United Scientific Holdings, the UK defence contractor. Page 30

EAST Germany's productivity could double in the next 10 years, according to a report by the Cologne-based German Economy Institute (IW). Page 3

EGYPT is facing increasing difficulties funding its huge food bill and particularly wheat imports, amid signs that its cash reserves are dwindling fast. Page 32

BORROWING on international capital markets declined significantly in 1989, with syndicated credits showing a 25 per cent drop to about $97bn, according to an OECD report. Page 26

Mandela reunited with ANC comrades in Lusaka

By Nicholas Woodsworth in Lusaka

WITH clenched fist held high, Mr Nelson Mandela stepped out on to the tarmac at Lusaka airport yesterday and into the arms of old comrades. It was a reunion with heroes and friends from the African National Congress, Mr Mandela said, to which he had looked forward for 27 years.

The normally shabby Zambian capital, headquarters of the ANC for more than a decade, welcomed the nationalist South African leader and his wife, Winnie, with all the red-carpet treatment it could muster.

With banners unfurled, drums beating and their voices raised in song, thousands of ordinary Lusakans joined jubilant ANC members in greeting the most famous man in black Africa.

Groups of dancers and children of ANC families dressed in the party colours of black, green and gold fell silent as a visibly moved Mr Mandela embraced senior leaders of the movement whom he had not seen for almost 30 years. Prolonged bear-hugs went to Mr Alfred Nzo, ANC secretary-general, and Mr Joe Slovo, South African Communist Party leader.

But visiting dignitaries as varied as Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, and Mr Joe Clarke, Canadian External Affairs Minister, all had a chance to embrace Mr Mandela. Foreign visitors who went to Lusaka to greet the ANC leader included the heads-of-state of the six southern African "front-line" countries, delegations from Canada, Australia, and New Zealand, Mr Joe Garba, UN General Assembly president and Sir Shridath Ramphal, Commonwealth secretary-general.

On a podium shared with President Kenneth Kaunda of Zambia, Mr Mandela gave an ad-lib speech of thanks to his admirers: "This is not an occasion for formal words," he said, "but an occasion where men should speak from the heart."

He praised Mr Kaunda for his hospitality to the ANC over the years, saying Lusaka was "a second home" that had made it possible for the ANC to continue its struggle.

Mr Mandela's speech was not wholly sentimental, however. He took the opportunity in front of the world's press to appeal for material aid to an organisation that is now legal in South Africa but has little organisational or infrastructural base there.

"The ANC has been unbanned," he said. "We have fought for this development, but it has brought a host of problems that we cannot address without resources. We appeal to the international community for capital and other resources to undertake this work."

Mr Mandela will remain in Lusaka until Sunday. He will discuss a wide range of issues – all bearing on ANC moves towards negotiation with Pretoria – with the ANC's national executive committee, frontline state leaders and Commonwealth representatives.

Gorbachev clears way for sweeping presidential power

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday cleared the way for his election as executive head of state of the Soviet Union, arguing that this was essential to "protect democracy" and ensure the "revolutionary transformation" of the country.

In the face of strong doubts from the most radical deputies, he cajoled and bullied his Supreme Soviet, the nation's revamped standing parliament, into approving in principle legislation to establish the presidency with sweeping powers.

He also got the go-ahead for an emergency session of the Congress of People's Deputies, the supreme constitutional authority, in two weeks' time to approve the changes to the nation's fundamental laws and elect the first president. The President will have powers of veto over parliament, will be able to hire and fire the Prime Minister and declare a state of emergency or rule by decree in areas of unrest.

The plan was approved by 347 votes to 24, with 43 abstentions, almost all from the Baltic republics which are campaigning for outright independence from the USSR.

Only in four years' time would the first direct elections to the presidency be held, based on universal suffrage, and requiring that any candidate get more than 50 per cent of the popular vote.

The drastic constitutional reform would greatly extend the emergency powers of the president and, possibly most important, make him in effect independent of the bureaucratic apparatus of the ruling Communist Party. Instead of the Party's Politburo, he would rule through a personally selected Presidential Council.

The move has won support from both ends of the Soviet political spectrum as the country faces a rapidly deepening economic crisis, apparently irrepressible ethnic conflicts and growing demands for secession from its outlying republics.

It drew strong criticism yesterday, however, from radical reformers who said that it failed to provide adequate parliamentary control on presidential powers. It was also attacked for giving excessive powers to a central ruler just at the time the Soviet Union is supposed to be establishing a genuine federation with substantial autonomy for its individual republics.

"Life itself has confronted us with the need to carry out a substantial regrouping of forces in the upper echelon of power," Mr Gorbachev declared. "It is imperative to enhance the mechanism of executive authority, in order to ensure that the laws work."

The presidency – separate from Mr Gorbachev's role as chairman of the Supreme Soviet – was needed "to press forward with perestroika (restructuring), to propel and accelerate reform, to protect democracy, and effectively to help the revolutionary transformation of our federation."

He placed the whole move firmly in the context of ever-increasing political pluralism – a reference to the Communist Party's decision to abandon its constitutional monopoly on power.

Mr Alexander Yakovlev, Mr Gorbachev's key supporter within the present ruling Politburo, said the existing system contained "an obvious contradiction between the need to speed up perestroika and the weakening of government systems on all levels, especially in the centre."

In an apparent reference to the threat of a coup against the Soviet leader, he said: "Society should be reliably protected against lawlessness, against the attempts of irresponsible or corrupt forces, representing no one, to usurp power, and should be cured of legal nihilism."

Strong criticism of the move came from Mr Sergei Stankevich, a Moscow deputy and leading member of the Inter-Regional Group headed by Mr Boris Yeltsin.

It now seems certain that Mr Gorbachev will summon another crucial Communist Party Central Committee plenum just before the special congress of People's Deputies to approve drastic changes in the party rules and structure, providing for genuine grass roots elections to the next party congress.

If he can get his way on both occasions, he will emerge with a party both weakened and removed from the direct levers of state power, with real authority transferred to his own office of president.

Draft law extracts, Page 2; Editorial comment, Page 18

Toshiki Kaifu acknowledges in Japan's parliament yesterday his formal re-election as Prime Minister. The new Cabinet, Page 4

Yen decline, rate worries stir wild fluctuations

By Stefan Wagstyl and Michiyo Nakamoto in Tokyo

JAPANESE stock and bond prices fluctuated wildly yesterday amid concern at a continued decline in the yen and fears of increases in interest rates, tempered by relief that the turmoil in Tokyo markets had not spread to other financial centres.

The Nikkei index of leading stocks closed 576.08 points up at 33,897.95, in erratic trading dominated by Japanese and foreign brokers using computer-driven futures-linked trading programmes.

The market initially climbed nearly 680 points in reaction to Monday's rise on Wall Street, supported by some strong buying by Japanese brokerages. But with the yen falling rapidly, the advance lost its momentum and prices plunged to 529 points below Monday's close.

Later they recovered sharply to record a net gain, only the second increase since stocks started falling precipitously at the beginning of last week.

Mr Yusuke Fujiwara, general manager of equity dealing at Baring Securities, said: "Trading was in one-way traffic of either buying or selling."

Programme trading exacerbated the uncertainty as arbitrageurs, simultaneously trading shares and stock index futures, continued to unwind futures positions in advance of the expiry of the current futures contract on March 8.

Stockbrokers, both Japanese and foreign, widely ignored a request by the Tokyo stock exchange to limit arbitrage-related selling to just after the opening of the morning and Continued on Page 20

Government bonds, Page 27, Stock markets, Back Page, Section II

Congress may force sanctions on Japan

By Nancy Dunne in Washington

MOUNTING frustration in Congress with the slow pace of US-Japan trade talks has spawned several bills which could force the Bush Administration to impose trade sanctions on Japan.

During a sub-committee hearing on Monday, Senator Max Baucus, a Montana Democrat, decried the "deadlock" in negotiations "on all fronts." He said he was drafting legislation directing the Administration to retaliate against Japan if it did not open its markets to US exports of forest products, supercomputers and satellites by June 17.

This would force the Administration's hand at a time when it hopes to preserve a favourable environment for the Uruguay Round of international trade talks.

Under current legislation, the Administration has the option of continuing the "sec- Continued on Page 20

Inquiry on subsidiaries, Page 6

Bell Resources' half-year loss biggest in Australian history

By Chris Sherwell in Sydney

PROVISIONS OF almost A$1bn ($760m) have driven Bell Resources, once the cash-rich arm of Mr Alan Bond's debt-ridden business empire, into the biggest half-year loss in Australian corporate history.

Figures for the six months to December, released yesterday, showed a loss of A$882.5m on reduced sales of A$798m. The haemorrhage follows a loss of A$385m in the 12 months to last June.

The results again highlight the intense pressure focused on Mr Bond, who is continuing to fight a defiant rearguard action through the courts against bank lenders, holders of his securities and share-market regulators.

Bell Resources, whose key asset is royalties from Bass Strait oil production, was controlled by Mr Robert Holmes à Court, another Perth-based entrepreneur, before he sold out to Mr Bond in 1988.

The Bond group promptly used Bell Resources' accumulated cash in a still undetermined number of ways, among them an abortive onslaught on Lonrho and, allegedly, to repay bank debts.

Earlier this month, Bell Resources – despite being a 58 per cent-owned subsidiary of the flagship Bond Corp – petitioned through the courts to wind up its parent over the non-repayment of a nominal A$22m in debts.

In a statement accompanying yesterday's results, Mr Geoff Hill, the independent chairman appointed in December, said the group had also issued letters to Bond group companies demanding payments of more than A$160m, while specially commissioned reports from firms of accountants and solicitors said more than 30 past Bell Resources transactions ought to be investigated.

Details of yesterday's provisions show that the A$1.2bn "deposit" on Bell Resources' long proposed purchase of Bond Corp's brewing assets – a sum that was in the books at A$996m because of an offsetting A$208m provisory note – has been written down to A$492m.

Another A$433m due from other Bond group companies was similarly written down to A$87m, while A$57m of investments in other related companies, listed and unlisted, were valued down to A$7m.

After including amounts receivable from unrelated companies, which were reduced to A$7m from A$84m, the provisions totalled A$977m.

Mr Hill said the provisions were affected by the unavailability of information needed to assess the recoverability of amounts owing from Bond group companies.

This, he pointed out, was because of bank lenders' action in late December towind up Bond Brewing Holdings.

Bond Corp is appealing against the Supreme Court of Victoria's appointment of a receiver to Bond Brewing.

On Bell Resources' recently revised A$2bn plan to purchase Bond's Australian brewing interests, Mr Hill acknowledged that while Bond Brewing was in receivership it was "unlikely" the agreement would be finalised.

CONTENTS

Reforms mark the beginning of buying on behalf of patients

Many economists are convinced that sweeping reforms will heal the UK's ailing health care system. But Health Minister Kenneth Clarke has others to persuade, including the nation's doctors and nurses.
Page 15

MARKETS

STERLING
New York lunchtime: $1.6915
London: $1.6920 (1.695); DM2.8500 (2.86); FFr9.6475 (9.685); SFr2.5100 (2.5175); Y251.50 (252.0)
£ Index 89.6 (90.1)

GOLD
New York Comex Apr $411.6
London: $408.25 (411.25)

N SEA OIL (Argus)
Brent 15-day Apr $19.525 (+0.125)

DOLLAR
New York lunchtime: DM1.68715; FFr5.7125; SFr1.48385; Y148.725
London: DM1.6840 (1.6900); FFr5.7025 (5.7200); SFr1.4830 (1.4865); Y148.6 (148.8)
$ Index 67.5 (67.6)
Tokyo close: 149.03

US Lunchtime Rates
Fed Funds 8¼%
3-mo Treasury Bills: yield: 7.97%
Long Bond: 100⅝
yield: 8.48%

STOCK INDICES
FT-SE 100: 2,254.5 (+5.5)
FT Ordinary: 1,761.5 (+5.4)
FT-A All-Share: 1,121.65 (+0.3%)
New York lunchtime: DJ Ind. Av. 2,623.57 (+21.29)
S&P Comp 331.28 (+2.61)
Tokyo: Nikkei 33,897.95 (+576.08)

LONDON MONEY
3-month interbank: closing (15⅛)
Liffe long gilt future: Mar 85⅞ (85⅜)

Chief price changes yesterday: Page 21

EUROPEAN NEWS

Commission to study tax 'threat' to single market

By Lucy Kellaway in Brussels

THE European Commission will for the first time today broach the sensitive question of whether differences in tax and social security contributions between member states threaten the single market.

The Commission will order a detailed study into the total tax burdens of the Twelve following a preliminary report, to be presented by Mrs Christiane Scrivener, Tax Commissioner, showing growing disparities between Community countries.

If the Commission finds evidence of damage to competition or the single market, appropriate steps could be taken.

The Commission's initiative is highly contentious as member states regard direct taxation and social security as matters of *national rather than* Community concern.

It is the first time that Brussels has directly addressed the issue of social security and explicitly questioned whether the yawning gap between social security contributions in member states might have competitive implications.

Mrs Scrivener's report is believed to show that aggregate taxation in the Community – taking in everything from VAT to direct tax to social security payments – has been growing steadily over the past few years to reach an average of 40 per cent of GDP. The figures vary from about 30 per cent in Greece to about 60 per cent in Denmark.

Her findings are thought to show much larger differences in social security payments between countries than in the total level of taxation, ranging from about 2 per cent of GNP in Denmark to about 20 per cent in others. The Commission is to investigate the extent to which such divergences – which partly reflect different ways of paying for benefits – interfere with the single market.

Officials are being careful to stress that no decisions have yet been taken, and that the purpose of the study will be to demonstrate what, if any, action will be needed. The Commission believes it is justified in examining the matter in view both of the size of the amounts and the differences between member states.

The study is seen as a part of the Commission's general onslaught on taxation matters, an area which has caused it more trouble than almost any other. Member states have proved highly resistant to plans to bring levels of VAT into line, and a new initiative to introduce a single level of corporation tax, to be put forward by Mrs Scrivener shortly, faces a difficult passage.

Warsaw restores Israeli links after 23-year break

POLAND and Israel yesterday restored full diplomatic relations after a 23-year break and re-opened the Israeli embassy in Warsaw, agencies report from Warsaw.

Mr Moshe Arens, the Israeli Foreign Minister, exchanged documents with his Polish counterpart, Mr Krzysztof Skubiszewski, to re-establish diplomatic ties.

Poland is the third Warsaw Pact country to resume relations with Israel in the past six months. Like the entire Soviet bloc except Romania, it broke ties with Israel during the 1967 Arab-Israeli war. Hungary restored relations in September and Czechoslovakia followed suit on February 9.

Poland's Solidarity-led Government has called the rift a mistake, apologised for a 1968 anti-semitic purge, and offered to restore citizenship to about 30,000 Jews forced to emigrate at that time.

Poland has had low-level ties with Israel since 1967 and hopes that embassy links will lead to closer economic and cultural co-operation.

Swedish premier unveils cabinet as inflation rate jumps

By Robert Taylor in Stockholm

MR INGVAR CARLSSON, the Swedish Prime Minister, announced the cabinet for his second minority Social Democratic Government yesterday.

He has appointed Mr Allan Larsson, the 51-year-old former head of the country's Labour Market Board, to the crucial post of Minister of Finance and has made Mr Odd Engström, the caretaker finance minister, Deputy Premier.

The elevation of Mr Larsson, a former newspaper and television journalist and a prominent figure in the Swedish labour movement, was broadly welcomed by both sides of industry.

As the Labour Market Board's chief executive from 1983 until the end of last year, he carried out a major reform of the organisation. The board is responsible for Sweden's employment and training services and Mr Larsson made it more commercial and less bureaucratic.

His appointment is a shrewd one. He has impeccable credentials inside the labour movement, with a spell working for the Metalworkers' Union. But he has also demonstrated his administrative abilities and capacity to absorb new ideas that often conflict with traditional Social Democratic ideology.

He is not a poodle of the trade unions. But, on the other hand, he is a man of compromise, a quietly spoken conciliator without the abrasive qualities of his predecessor, Mr Kjell-Olof Feldt.

Industrialists were also relieved that his deputy will be Mr Erik Asbrink, who worked in a junior position under Mr Feldt at the finance department. As the technician behind Sweden's tax reforms, Mr Asbrink will ensure continuity in the country's financial policies.

The appointment of Mr Engström as deputy prime minister comes as a surprise. Mr Carlsson played that role under Mr Olof Palme before Mr Palme's assassination, but the post was not filled when he became Prime Minister in March 1986.

Yesterday Mr Larsson said that Sweden faced a "very serious economic situation with rising costs threatening full employment and the welfare system." Without going into details on his future economic plans Mr Larsson said that "what is necessary now is as much supply-side policies as possible and as much financial stringency as necessary."

The magnitude of Mr Larsson's problems was made clearer yesterday with the announcement that there was a 3.2 per cent increase in the consumer price index in January, the biggest rise in a single month since January 1980.

The jump in prices was mainly due to an increase in indirect taxes on hotels, restaurants, public transport, groceries and petrol as well as an increase in housing costs.

The January increase has lifted Sweden's annual inflation rate to 8.8 per cent from 6.7 per cent.

ANAP strife tilts balance to 'holy alliance'

Turkish minister's resignation raises spectre of early election, writes **Jim Bodgener**

DOUBTS about whether Turkey's ruling Motherland Party (ANAP) can hold together until the end of its second term in 1992 have been raised by the resignation last week of the young and ambitious Mr Mesut Yilmaz as Foreign Minister.

Factional differences have intensified in ANAP, with the balance tilted further towards a "holy alliance" of Islamic fundamentalists and right-wing nationalists.

Despite being widely unpopular for failing to bring down inflation, ANAP, with a 281-seat parliamentary majority, has benefited from similar divisions in the main opposition Social Democratic Populist Party (SHP). The third-largest parliamentary grouping, the True Path Party led by former premier Suleyman Demirel, is not strong enough to bring down the Government on its own, although it could pick up many disenchanted ANAP voters in a snap poll.

Yet another social democrat party – masking as yet illegal Kurdish minority aspirations – could be created soon by 24 SHP rebels, while former Istanbul mayor Mr Bedrettin Dalan, who resigned from ANAP recently, may pick off ANAP dissidents with a centrist formation.

Electoral wastage from ANAP and the SHP has already succoured existing extra-parliamentary groupings such as the Democratic Left Party (DSP), the fundamentalist Welfare Party (RP) and the ultra-right National Work Party. Such a fragmentation runs directly counter to the strong, two-party system bolstering the state aimed for in the 1982 constitution framed under martial law and supported by President Turgut Ozal.

Self-interest in survival has bonded ANAP members in the past. Since his election as President last November, Mr Ozal, who played a mediating role between the factions, has had to distance himself.

His nondescript and awkward proxy successor as premier and party chairman, Mr Yildirim Akbulut, has become a figure of fun and the butt of ludicrous jokes. Many Turkish commentators wonder whether he can survive until the next ANAP congress in [illegible].

Insidious criticism of Mr Yilmaz in ANAP aimed at derailing his hopes of winning the party chairmanship and premiership at the congress had angered him. In recent weeks, the gauche Mr Akbulut had paled beside Mr Yilmaz's growing popularity, in particular with big business.

But Mr Yilmaz's resignation may have been badly timed. After two years in the ivory tower of the foreign ministry, Mr Yilmaz lacks strong grass-roots following in the party. For some ANAP MPs, he is still tarnished with a lacklustre performance during the crisis of Bulgarian ethnic Turkish refugees last summer. However, he may seek an alliance with dissident former education minister, Mr Hasan Celal Guzel, who has a broader base of support.

Reinforced for the moment is the "holy alliance" within ANAP led by State Minister Mehmet Kececiler, who is standing in for Prime Minister Akbulut during his trade and goodwill visit to Tehran this week.

With the President's favour, Mr Kececiler himself could bid for party chairman, if not premier, though this would not sit well with the military. What he does enjoy is a command of the party hierarchy in his responsibility for relations between the executive and provincial and district organisations, as well as for streamlining government bureaucracy through decentralisation.

Exacerbating the rift between Mr Akbulut and Mr Yilmaz were the former's blundering gaffes in foreign policy, in which he lacked the opportunist intuition of his master and deeply offended the foreign ministry orthodoxy of Mr Yilmaz. President Ozal, when premier, had prevailed over the traditional conservatism of Turkish diplomats with imaginative sallies such as the process of reconciliation with Greece begun in early 1988 at Davos in Switzerland, though many have come to nought.

The speedy replacement of Mr Yilmaz with Mr Ali Bozer, formerly deputy premier, has adequately filled the gap for the present. A conciliator, he is a jurist with substantial European experience, and has promoted Turkey's EC ambitions since the mid-1980s.

At the same time, he will be far more pliable in the President's hands than Mr Yilmaz was, according to foreign diplomats. Though Mr Yilmaz was well regarded in Ankara diplomatic circles, his departure may have loosened the constraints of orthodoxy, permitting a more responsive manoeuvring capability for Turkey in redefining its role in a fast changing European and regional situation. But this will depend upon ANAP staying in power.

TURKEY'S Prime Minister, Mr Yildirim Akbulut, yesterday left for Tehran with a retinue of businessmen chasing contracts in a further warming of Turco-Iranian relations.

Iranian President Hashemi Rafsanjani recently accepted an invitation from President Turgut Ozal to visit Turkey at a yet unspecified date.

Only about a year ago, Turkish-Iranian relations were at a nadir, following alleged religious meddling in Turkey's internal affairs by the previous Iranian ambassador, and a thundering denunciation from Ayatollah Khomeini aimed at a ban on Islamic headgear in Turkish higher education institutions.

Ruffled Turkish chauvinism was soothed in December when the new ambassador, Mohammad Reza Bagheri, paid his respects at the Ankara mausoleum of the Turkish republic's founder, Mustafa Kemal Ataturk.

Discussions have picked up again on long-mooted plans to build oil and gas pipelines from Iran through Turkey. Turkish contractors are also looking for work in Iran's reconstruction programme after the Gulf War, and in the modernisation of the Iranian industrial sectors such as sugar and cement.

There are also hopes for an expansion in trade – an ambitious annual target doubling bilateral annual trade with Iran was set earlier in the year, but imports fell by 32.6 per cent in the first nine months of 1989.

Yilmaz: lacks following

OECD has fears for E Europe

By Norma Cohen

EASTERN Europe's sweeping economic and political reforms are likely to damage the region's already fragile financial position, at least initially, a report from the Organisation for Economic Co-operation and Development (OECD) says.

In the report on the international trade and financial situation of eastern Europe, the OECD notes the region's current account balance worsened appreciably last year, while debt, rising steadily since 1985, increased more quickly.

"In view of current trends, further weakening seems inevitable before changes in economic structure can produce any tangible improvement," it says.

In 1989, Western financial markets began to charge eastern European borrowers more, but the region is still seen as a viable market.

Ironically, while banks lent to Eastern Europe in the past on the assumption that the stable political situation and effective social control made repayment predictable, they can no longer do so, the OECD says.

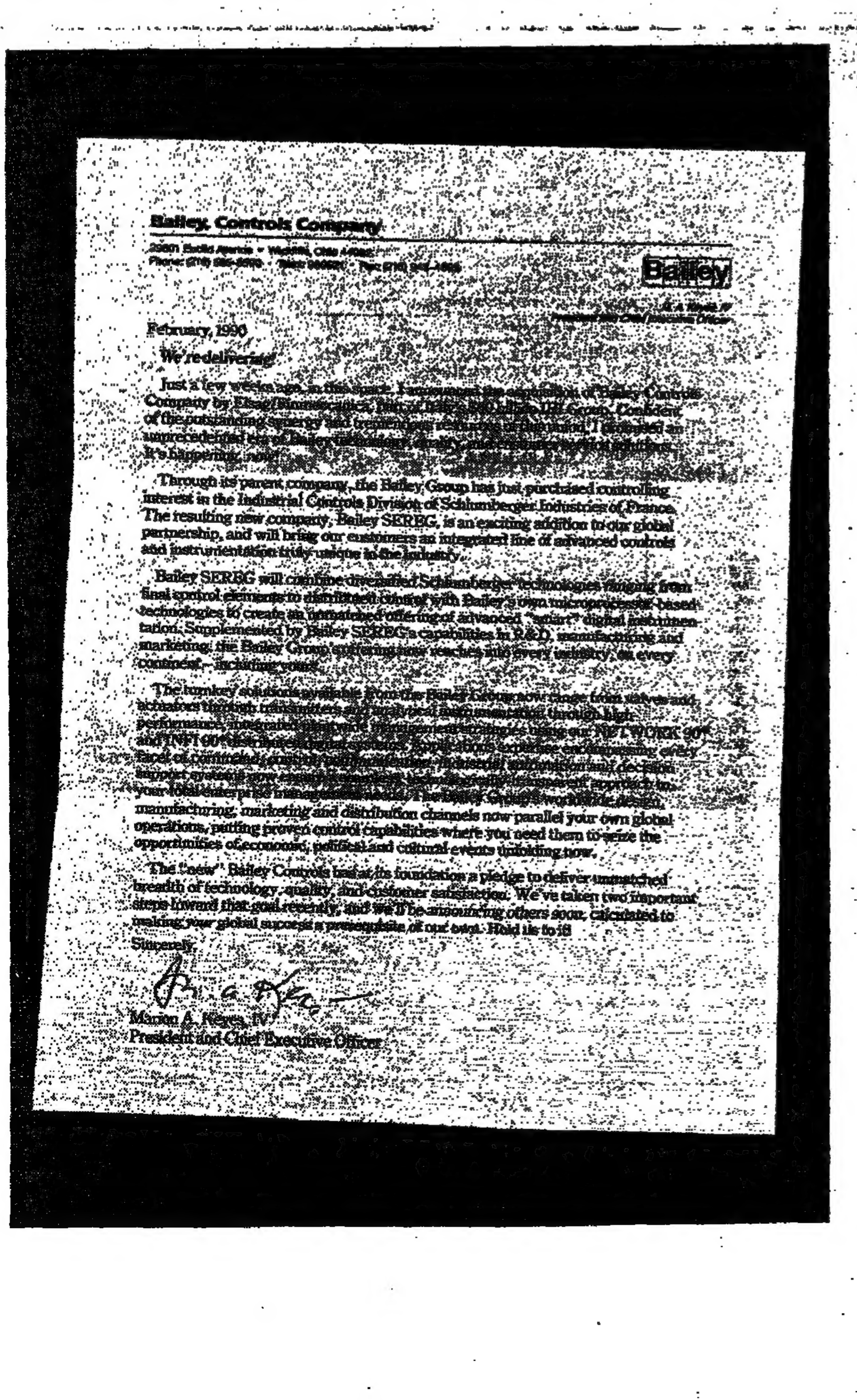
"While this change is welcome on political grounds, it directly undermines some basic assumptions about dealing with Eastern Europe," the report adds. With financial liberalisation, countries may seek equity investments from international investors rather than simply relying on debt markets to raise capital.

One area where private-sector borrowing by eastern Europe has increased sharply is project finance and leasing arrangements, in which the financial institution seeks to secure the loan against property or receipts.

But foreign governments of OECD countries appeared more willing to increase their exposure to the region through their export credit guarantee agencies.

The OECD also looked at the adequacy of short-term assets to imports – a key indication of whether a country can service debt in the face of economic disruption. In most countries this is sufficient. East Germany has enough short-term assets to cover one year's net imports. Hungary has a ratio of less than the minimum 25 per cent ordinarily considered adequate.

OECD Financial Market Trends, February 1990.



Brussels scales down estimate of Italian state aid to industry

By John Wyles in Rome

THE EUROPEAN Commission has scaled down its original *estimate of Italian government* aid to industry from an average of L42,000bn (£19.86bn) a year between 1981 and 1986 to an average of L31,500bn.

Although this still leaves Italy at the top of the EC aid league, the revision represents a potentially important step towards establishing a common basis between Brussels and Rome for evaluating Italian transfers to industry.

The principal challenge on statistical grounds to the Commission's estimates, set out in a report published last year, was mounted by the Bank of Italy, most of whose arguments appear to have been accepted by Sir Leon Brittan, the Competition Commissioner.

But in a letter to Senator Roberto Cassola, chairman of the Italian Senate's industry committee, Sir Leon has made plain his belief that Italian aid is still higher than is desirable, *both from the industrial point* of view and from that of the taxpayer.

Given that he is promising a significantly tougher control by Brussels of state aid throughout the EC and has begun a re-examination of aid policies accepted in the past by the Commission, it seems certain that some Italian policies will be the target of future challenges by Sir Leon.

Senator Cassola is urging the Italian Government to negotiate a "code of behaviour" with Brussels aimed at making its transfers to industry more transparent. He is also in favour of reforms which will make these transfers more indirect, including a broader use of tax rebates and more selective public purchasing policies.

A spokesman for Sir Leon said yesterday that the Commissioner would have no objection to a code of behaviour providing it established clear observance of EC rules and was not seeking any special treatment.

Denktash hails 'big step' at UN talks

THE Turkish Cypriot leader, Mr Rauf Denktash, said yesterday that Mr Javier Perez de Cuellar, the UN Secretary General, had said that there were two politically equal communities in Cyprus, Reuter reports from the United Nations. This was "a very big step in the right direction," claimed Mr Denktash.

He was speaking before the start of a second day of talks with President George Vassiliou, representing the majority Greek Cypriot community, and the Secretary General.

The two Cypriot leaders are trying to work out a federal *system for reuniting the island*, partitioned since Turkish troops occupied its northern region in 1974 after a coup in Nicosia engineered by the military junta which was then ruling Greece.

Mr Denktash said: "For the first time in the history of the United Nations, the S.G. (secretary general) has underlined that there are two politically equal communities in Cyprus and that the problem is not between a majority and minority. That is a very big step in the right direction, so we shall proceed."

Mr Vassiliou and Mr Perez de Cuellar declined to make any substantive comment on the talks when they arrived separately at UN headquarters, citing an agreement among the participants.

Regarding a schedule believed to have been suggested by the Secretary General, Mr Denktash said: "We are talking about it. There is not much difference on it. I think we shall be able to compose a joint schedule."

PARLIAMENT DEBATES DRAFT LAW

Soviet presidential powers spelled out

FOLLOWING are extracts from the draft law which would create the post of executive president in the Soviet Union and which was debated in the Supreme Soviet yesterday:

Election – The head of state of the Union of Soviet Socialist Republics is the President of the USSR. The President can be elected by the citizens of the USSR. He or she must be aged aged 35 or over. The President is elected. . . . on the basis of universal, equal and direct suffrage by secret ballot for a term of five years.

Presidential candidates can be nominated by organisations or by individuals with the right of legislative initiative. A candidate is considered elected after receiving more than half the votes cast. If no candidate received more than half the vote, a second poll will take place between the two candidates with the greatest number of votes.

The President, on assuming office, is sworn in by the Congress of People's Deputies.

Powers – The President. . . . represents the Union of Soviet Socialist Republics inside the country and in international relations; is the Supreme Commander-in-Chief of the Armed Forces of the USSR and co-ordinates the activities of state organs to guarantee the defence of the country . . . ; proposes to the USSR Supreme Soviet candidates for the posts of Chairman of the Council of Ministers (Prime Minister), Chairman of the USSR Committee of People's Control, Chairman of the Supreme Court, Chief Prosecutor, Chief State Arbiter...and proposes their release from duties to the USSR Supreme Soviet and the Congress of People's Deputies . . . ; on the proposal of the Chairman of the Council of Ministers releases from duties and appoints members of the USSR government with the appropriate endorsement of the USSR Supreme Soviet . . . ; negotiates and signs international agreements . . . ; appoints and recalls diplomatic representatives of the USSR in foreign states and international organisations . . . ; makes decisions on conferring Soviet citizenship, the renunciation and deprivation of Soviet citizenship and on granting asylum and pardon; declares war in the case of armed attack on the USSR; declares full or partial mobilisation; declares, in the interests of the defence of the USSR or the security of its citizens martial law or a state of emergency in various localities – with the obligatory referral to the Presidium of the Supreme Soviet of the appropriate union republic; can in such cases declare direct presidential rule.

The President heads the Federation Council, which also includes, by their offices, the Chairman of the USSR Supreme Soviet, the chairmen of the two chambers of the Supreme Soviet, the Chairman of the Council of Ministers and the highest state officials of the union republics.

The Federation Council will examine questions and work out measures on implementing the principles of national-state management of the USSR and relations between its nationalities.

With the President works the Presidential Council, whose task is to devise measures to achieve the basic internal and external policies of the USSR and guarantee the country's security . . .

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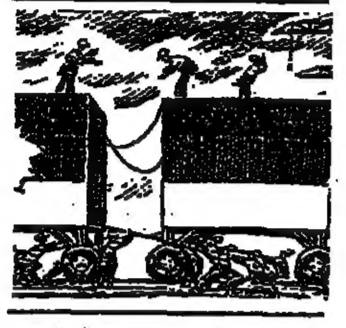
EUROPEAN NEWS

Tapping East German potential

Would-be investors in the west are wondering how best they can translate 'joint venture' into German, writes Andrew Fisher

THEY RANGE from ice cream makers to compact disc producers, mail order companies to engineering groups. Each day brings a new crop of West German companies wanting to move into East Germany now that the border is open and the free market economy is about to displace four decades of rigid planning.

Yet the right conditions for investment have still to be established. The obstacles that the Communist regime put in the way of economic flexibility – including excessively high taxes, a ban on joint ventures with the west, and strict control over state-owned company



ROAD TO UNITY

finances and trading – are being dismantled. But western investors will have to wait until after the East German elections on March 18 before matters become clearer.

In the last few months, the term "joint venture" has become one of the most used among German managers and economists. Ironically, as the two Germanys move rapidly together politically and economically, there is no catchy German translation for these two vital words, which have come to be used for almost any form of co-operation between the two sides.

For executives with a taste for challenge and risk, these are exciting times indeed. Certainly, the next few years will be tough, as East Germany's poor infrastructure is built up and its creaking industry given an uncomfortable shake-out. But the prospect for the mid-1990s and beyond is of rapid growth as the economy sheds the ballast of years of Stalinism, living standards pick up, and production moves towards western levels of productivity and quality.

"Once the hard period is over, the outlook is very positive," reckons Mr Manfred Melzer, an economist with the DIW economic research institute in West Berlin. Each company from the west, however, will have to see for itself just what things look like on the ground. "Much of the East German production will be of no use to them. But there will be some interesting parts. They will have to keep the best bits and their workers, and drop the unwieldy administration. Then the venture can work and the new operation can pay premium wages."

At present, the DIW estimates East German productivity is only about half that of West Germany. The difference between the two economies is neatly symbolised by the car industry. In the west, it has produced models like the successful Golf family car, while in the east, it has turned out the solid but dull Wartburg and the plucky but woefully outdated Trabant, the polluting two-stroke which has taken so many immigrants and sightseers across the border.

Both Volkswagen, which makes the Golf, and Opel, the West German subsidiary of General Motors of the US, have been talking with the state-owned IFA Kombinat, in which the East German motor industry is grouped. VW has an agreement with IFA which will become a proper joint venture once the right laws are in place.

Mr Carl Hahn, VW's chief executive, makes no secret of his elation at the prospects in East Germany, heightened by the fact that he was born in Karl-Marx-Stadt, the town that is soon likely to be given back its former name of Chemnitz. "We have an enormous obligation not to disappoint," he says. Recalling that East Germany suffered heavy reparations imposed by the Soviet Union, he adds: "We are morally obliged to use our prosperity and our resources to make intelligent investments."

In the case of VW's planned co-operation with IFA to produce a new line of cars for sale in East Germany and elsewhere, especially in the rest of eastern Europe, the investment could be as much as DM5bn (£1.8bn) in the first few years.

Other ventures are more modest, however. Looking ahead to when East German consumers, long frustrated in their choice of goods to buy, will be wanting compact discs, Robotron, the Dresden-based electronics Kombinat, has signed a DM235m deal with the Pilz CD manufacturer of West Germany.

Robotron will have a 57 per cent stake in the joint venture, under which a new plant will be built in East Germany to make discs and plastic CD covers for the domestic and export markets. Pilz, based in a well-scrubbed Bavarian village near Munich, expects output to reach 24m CDs a year after 1991, with East Germany taking around 5m of those. The company says the Soviet Union has also expressed interest.

Other deals recently concluded or announced cover the shipbuilding industry (the western partners are Bremer Vulkan and HDW), shipping (Senator Line) electrical engineering (AEG), natural gas (Wintershall, part of BASF), steel (Maxhütte), optics (Carl Zeiss), lighting (Osram), metals and chemicals (Metallgesellschaft), airlines (Lufthansa), coal mining (Rheinbraun), cement works (KHD), and a host of other sectors.

For some West German companies like Zeiss, Maxhütte, and Osram, the co-operation will mean putting back together what more than four decades of division has kept apart. Both Zeiss in the West and VEB Jena in the East use the Zeiss name, while that of Maxhutte features in the steel industries of both countries, following the post-war separation. There are plenty of other companies eager to return to their old homeland.

For brand new ventures like that between Robotron and Pilz, there should be little difficulty in setting pay and working conditions equal to those in the west. But for companies going into partnership with East German operations at existing sites, the initial financial, legal, and employment problems could be complex. Valuing plant, equipment, and property in the East will be hard in a country where western style accounts are virtually unknown. Nor will western companies want to pay wages that approach West German levels until the wide productivity gap is closed.

That will take a few years. Nor, at this stage, is it known what form and how long political, currency, and economic union will take. In Mr Melzer's view, a currency union will not suffice anyhow to solve the productivity problem. That will require joint ventures

East German managers and workers will also have to learn how to operate in a free market economy with all its chances and risks, emphasises Mr Ulrich Schmid, head of Dresdner Bank's new office in East Berlin. "Anyone under 55 has known only socialism. Most people are not used to thinking in terms of the market." Thus he concludes: "To realise the huge potential in East Germany, we have to act with enthusiasm, verve, imagination and optimism, but also with our feet solidly on the ground."

Leafy haven feels winds from west

Leslie Colitt makes some unexpected discoveries on a visit to Berlin neighbours across the Wall

THE LEAFY Berlin suburb of Kleinmachnow in East Germany is a stone's throw to the west of where we live in West Berlin's southwestern borough of Zehlendorf.

Yet for 28 years, Kleinmachnow and the immediate environs of West Berlin on the other side of the Wall were as inaccessible to westerners as remoter parts of Siberia. It took a two-hour train ride on the "Sputnik" built after 1961 around West Berlin, and parallel to the Wall, for residents of Kleinmachnow to reach their places of work in East Berlin. Before the Wall, it would have taken about half an hour to make the simple crossing via West Berlin.

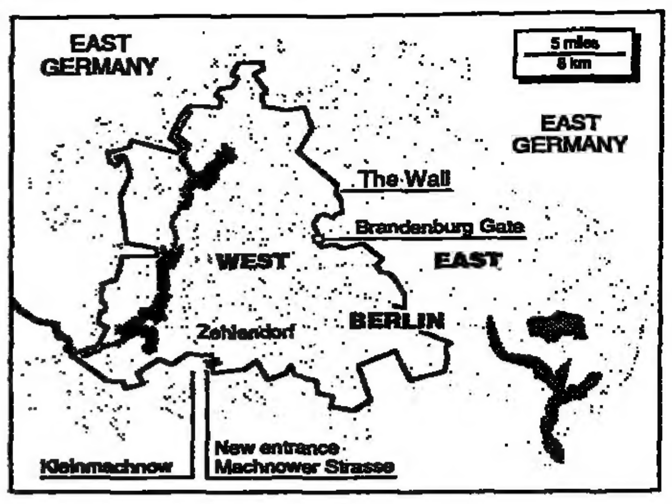
Last weekend I was able to visit Kleinmachnow with my wife for the first time, bicycling across one of the many new crossing points which have reconnected West Berlin with its hinterland. Entering Kleinmachnow in little more than half a minute, with a smile from the East German border policeman, was an exciting experience for both of us after living in walled-in West Berlin for 22 years.

The former village was a hive of activity. Occupants of the small, well-kept homes were out repairing gutters, mixing cement for a new garage or working in their flower gardens. All the diligence and care which was absent in the run-down, anonymous state-owned economy was being lavished here on weekends at home.

Many of the new houses with patios and two-car garages were built by private tradesmen who did extremely well for themselves by exploiting the inefficient planned economy. Now they are seeking co-operation with their western counterparts in order to obtain investments and know-how.

Apart from a few election hoardings, however, most residents showed little interest in the elections on March 18, in which the issues seemed to them to be rather remote.

Not all the West Berliners and West Germans who thunder through East Germany in their large new cars these days are welcome guests. One resident of Kleinmachnow told us of a middle-aged West German woman from Munich who knocked on his door and introduced herself as the "rightful" owner of the house which he rented from the municipality.



After announcing that she would take legal steps to regain the house she turned on her heels.

Elsewhere, tenants in East German flats owned by former East Germans now in the West have received letters threatening rent rises in the near future. They now pay only 110 East German Marks (£38.50 at the official rate) for a three-room flat.

Many of the buildings owned by westerners and East Germans have huge mortgages which were forced on them by the state. For decades they were a source of nothing but trouble for their owners. The legal hassle over contested property rights will undoubtedly be a gold mine for German lawyers in coming years.

West Berlin real estate agents are scouring the surrounding countryside in search of property for well-heeled clients seeking to build a home in the outskirts of a united Greater Berlin.

East German property owners are prohibited from selling to foreigners under existing law but no one knows how much longer that restriction will remain after unification.

We joined a stream of curious East Germans entering the recently opened grounds of Hakkeburg, a former luxurious lakeside rest home for senior officials of the East German Communist Party. The East Germans, however, discovered to their dismay that the rest home has been converted into a luxury hotel and restaurant catering exclusively to western visitors.

Productivity 'could double in 10 years'

By David Goodhart in Bonn

PRODUCTIVITY in East Germany could realistically double in the next 10 years, according to a report by the Cologne-based German Economy Institute (IW).

The IW, which assumes that productivity is currently about half West German levels, expects an average productivity increase of 7.2 per cent a year over the next decade.

That would bring an average growth rate of 7.5 per cent and a standard of living roughly equivalent to that in West Germany today by the turn of the century, although because of continuing growth in West Germany output per head in East Germany would remain only 82 per cent of the West German level.

If such projections are realised, unemployment will not be a problem in East Germany, says the IW. However, its more pessimistic projection of annual growth of only 5 per cent would create 800,000 East German jobless in five years time and 1.5m by the end of the decade.

A separate report from the IW rejects the thesis, commonly believed in East Germany, that West Germany paid far less in post-war reparations than its East German neighbour. West Germany is estimated by the IW to have paid DM74bn (£26bn) to foreign countries, compared with 66.4bn East German Marks paid by East Germany, mainly to the Soviet Union.

● The EC will indirectly have to pay for German unification by subsidising the development of East Germany as it does other backward regions, according to Mr Bernhard Friedmann, a West German judge at the European Court and a former finance spokesman for the ruling Christian Democrats.

Mr Friedmann said that, from being a net contributor to the EC to the tune of about DM12bn a year, Germany's payments and receipts would balance for a period after unification.

● Several hundred out-of-work East Berliners registered yesterday for the first East German unemployment benefits, writes Leslie Colitt in Berlin.

Meanwhile, economically dissatisfied East Germans continue to emigrate to the west at a high rate.

More than 110,000 East Germans have moved to West Germany since January 1, the authorities reported yesterday. This compared with the nearly 344,000 East Germans who left for the west in the whole of last year.

French annual inflation rate falls in January

By George Graham in Paris

FRANCE'S ANNUAL inflation rate dropped to 3.4 per cent in January, compared with 3.6 per cent the previous month.

Insee, the state statistical institute, said consumer prices rose by 0.3 per cent in January, less than in neighbouring countries.

Among France's eight main trading partners, the Finance Ministry said, only West Germany (2.7 per cent) and the Netherlands (2 per cent) have recorded lower inflation rates over the last 12 months.

January's inflation figures include a sharp increase in energy costs, a rise in rents – added into the index quarterly – and a fall in the cost of medicines due to the reduction in value added tax on these products at the beginning of this year.

The French Government's inflation target for the year is 2.5 per cent, but independent economic forecasters believe this may be difficult to achieve.

Expectations spread from 2.8 per cent to 3.4 per cent, although most forecasts are concentrated at the higher end of this range.

Ivory Coast to tax civil servants to pay off debts

By Mark Huband in Abidjan

MINISTERS and civil servants in the Ivory Coast will have to put up to 40 per cent of their salaries into a fund to pay off foreign debt, President Felix Houphouet-Boigny announced yesterday.

The move comes as the country's traditional stability is shaken by violent unrest.

Outlining the new measures, the President said the highest-paid civil servants would have to contribute 40 per cent of their salaries in a solidarity tax, which will be used to pay off the country's $14bn external debt.

Lower-paid officials will pay between 15 and 25 per cent of their salaries in the new tax. Private-sector businesses are also to be taxed, at a rate of 11 per cent.

Reacting to the tax changes, Mr Adiko Niamkey, Secretary-General of the general workers' union the UGTCI, said it would be difficult to persuade workers to accept the tax.

A week of violent unrest by students, who occupied Abidjan's Catholic cathedral for 12 hours last Friday, has been the first sign of strong public reaction to the economic crisis the country is facing.

The dramatic fall in world prices for cocoa and coffee has severely affected incomes throughout the country. Students say they have not received their grants for up to four months. Farmers have been even worse hit, with many owed money from unsold 1989 harvests.

The country's Structural Adjustment Programme, agreed in July last year, has already led to cuts in jobs and public sector salaries and Mr Houphouet-Boigny said further measures would be announced on Friday when the National Council of Government and ruling party officials meet.

The pressure is on Mr Houphouet-Boigny to prove that the political pluralism being demanded by students and government critics is not the answer to the country's economic difficulties.

Last night, the President gave a powerful speech, clearly intended to restore confidence in his rule, he condemned his critics and the media for intensifying the debate over his succession.

31 die in clashes as Indians vote

By David Housego in New Delhi

INDIA'S record of largely peaceful polling has been rudely shattered for the second time in four months with at least 31 people killed yesterday during elections to the State Assembly. The United News of India (UNI) news agency said the death toll was as high as 60.

Most of the violence was in the north-eastern state of Bihar, where 30 were killed and 200 injured in clashes between rival parties and with the police. Bihar was also the scene of major violence during the general elections in November.

In anticipation of further clashes this time, police and paramilitary forces had been widely deployed in the state. Bihar has a long history of violence, and over 60 of the candidates put up by the Congress Party and the Janata Dal of Prime Minister VP Singh had criminal records.

Polling took place in eight states across east, north and west India, with 215m people involved. Turnout was said to be around 60 per cent. The elections are seen as the first major test of Mr Singh's Government since it came to power three months ago and are expected to be followed by a broadening of his Cabinet.

States for sale – left, right and centre

Everybody's doing it, but privatisation is still controversial, writes Andrew Marshall

SELLING off the state is big business. From being the ideological preserve of the free-market right, privatisation is now a central part of policy in developed and developing countries worldwide with governments of widely varying views. The variety of objectives, types of state-owned enterprises (SOEs) sold off, and end results, has blurred the edges of privatisation, making the phenomenon more complex and definition more difficult.

But the spread of privatisation, and its growing acceptance, does not mean that it has been depoliticised. Indeed, if politics is the art of the possible, then privatisation has become pure politics. Questions over what to sell, how, and ways to regulate the resulting enterprise are all more controversial than ever, even if the decision to privatise is less so.

This trend has much in common with the corporate reaction to conglomerates that were created in the 1970s. In the 1980s, corporate raiders "unbundled" these groups, hoping to realise their value and in the process create more efficient, better managed units.

Privatisation has not always been a matter of choice, and is often externally enforced. Reduction of state involvement has been part of World Bank/International Monetary Fund structural adjustment programmes. The need to reduce state spending and borrowing in the face of austerity has also been a powerful incentive to offload loss-making SEOs, or to take the profits from the sale of profitable ones.

This is the first in a series on different countries' experiences with privatisation, the problems they have encountered and how they have overcome them

UNBUNDLING THE STATE

From an economic point of view, privatisation can be used to bring in new investment. From a domestic one, sales of assets can be combined with new issues of debt or equity. Flotation abroad or selling majority or minority ownership to a single foreign investor or a group can bring in foreign money.

Privatisation has become a more complex phenomenon as it has become entangled with the peculiarities of dozens of different SEOs, many in third world countries, with capital markets in various degrees of financial maturity, and with the vagaries of local politics.

It is often characterised as a knee-jerk response on a narrow ideological premise, that market solutions are always preferable to state ownership. But what is perhaps most surprising about the phenomenon of the last decade is its sheer diversity: the number of different motivations, the range of SEOs that have been put on the block, and the solutions that have been found.

The objectives of privatisation are one factor determining the methods. The others are the condition of the SEO – a rundown railway in Africa cannot be sold off like a large European telecommunications company – and the availability of local and foreign capital.

The sectors involved have varied from steelworks to semi-conductors, accountancy to agriculture. It is not only the handover of assets; privatisation can embrace the contracting out of services, and build-operate transfer solutions to the construction of new roads, bridges and power distribution networks.

External assistance, through multilateral institutions such as the World Bank or foreign merchant banks, many of them British or American, has been vital to the success of many privatisation programmes. They can assist where the problems are technical, caused crippling debt burdens and inadequate capitalisation, or the lack of locally available funds to float large corporations.

The World Bank classifies seven basic methods of privatisation, appropriate to different circumstances and different types of enterprise:

- **Public offering of shares.**
- **Private sale of shares.**
- **New private investment in an SOE.**
- **Sale of government or SOE assets.**
- **Re-organisation or break up.**
- **Management or employee buyout.**
- **Lease or management contract.**

Four general sets of problems have been encountered in privatisation, in developed countries such as Britain as much as in Mexico or Mali:

- **New regulatory structures.** Removing state ownership often requires instituting some new structure regulating pricing, quality of services or competition. This often raises the economic questions that prompted state ownership in the first place – how to adjust market forces where they operate inadequately, often because of the lack of competition. But if a privatised company is entangled in the same bureaucratic regulatory structures that it faced when it was state owned, then it may be less attractive to investors or management.
- **Guaranteeing social objectives,** such as maintaining employment, employee ownership, and maintaining services such as telecommunications to communities where the market might shy away. This sometimes leads to the continuation of subsidies, it may limit the degree to which the SEO can be privatised, or it may require aborting the sell-off.
- **"Selling off the family silver"**, a phrase coined by Lord Stockton in the UK, is a common accusation. Should state assets be sold off to the private sector where they will be exploited for private gain? Was the pricing done correctly, and did the government get good value?
- **Foreign ownership of domestic assets which have been state owned.** Often the reason for nationalisation was to reduce foreign influence, or because the industry was considered strategically sensitive. Reversing this is controversial. It may require "golden shares," used in the UK, or legal obstacles to secure domestic control; but such procedures may put off foreign investors.

In Eastern Europe – where all, or the vast majority, of the economy has been state owned and there is no guide to pricing, little local capital and a resistance to foreign ownership – finding appropriate methods of sale and creating new regulatory structures will be a huge task.

Finance and foreign ministers keep jobs

MR Toshiki Kaifu, Japan's Prime Minister, kept Mr Ryutaro Hashimoto, the Finance Minister and Mr Taro Nakayama, the Foreign Minister in his new cabinet, Reuter reports from Tokyo.

Mr Misoji Sakamoto, Chief Cabinet Secretary, said that Mr Kabun Muto, who has industry and business experience, was named as Minister of International Trade and Industry. Mr Muto will lead negotiations with the US over restructuring Japan's export-oriented economy.

Mr Tomio Yamamoto, a close aide to Mr Takeo Fukuda, a former prime minister, was named Agriculture Minister, while Mr Yozo Ishikawa will be chief of the Defence Agency.

Speaking at a news conference past midnight, Mr Sakamoto said Mr Kaifu had considered political ethics in naming his new cabinet, which followed the ruling Liberal Democratic Party's resounding election victory last week.

Mr Kaifu, re-named prime minister by the newly-elected lower house of parliament on Tuesday, had to battle Liberal Democratic Party bosses for more than six hours to keep the scandal-tainted politicians out of his administration.

JAPANESE CABINET

Prime Minister	Toshiki Kaifu
Finance	Ryutaro Hashimoto
Foreign	Taro Nakayama
Int. Trade and Industry	Kabun Muto
Agriculture	Tomio Yamamoto
Transport	Akira Ono
Posts and Telecoms	Takashi Fukaya
Labour	Shunpei Tsukahara
Construction	Tamisuke Watanuki
Cabinet Secretary	Misoji Sakamoto
Directors-General of government agencies	
Defence	Yozo Ishikawa
Management and Coordination	Jun Shiozaki
Economic Planning	Hideyuki Aizawa
Science and Technology	Tomoji Oshima
Environment	Ishimatsu Kitagawa

Cambodians split on UN role

By John Murray Brown in Jakarta

CAMBODIA'S warring groups remained divided yesterday, on the first day of peace talks in Jakarta, over a United Nations role in an interim administration ahead of elections.

Both key factions – the Vietnamese installed Government of Mr Hun Sen in Phnom Penh and the Khmer Rouge, largest and most powerful of the three resistance groups – had still to agree terms for a UN role.

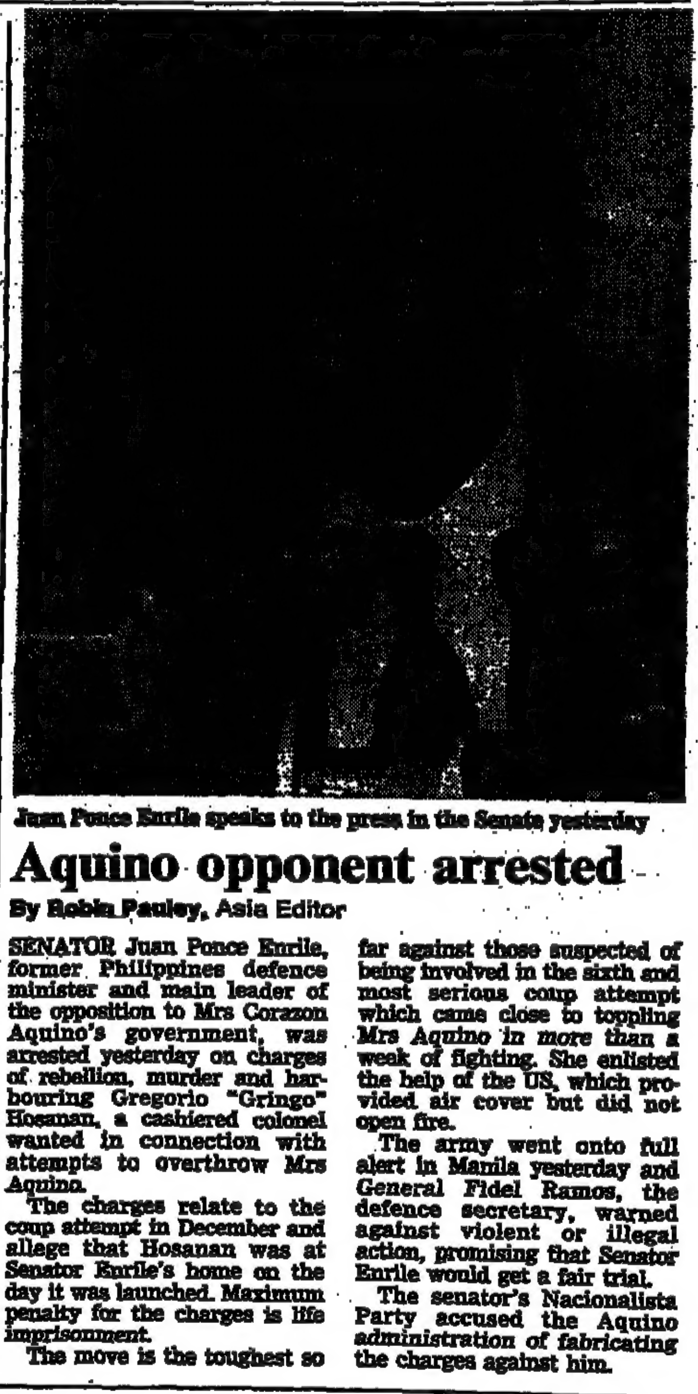
An enhanced UN role is the central idea of an Australian proposal, backed by the five permanent members of the UN Security Council in January. The plan gets round the issue of who would run Cambodia before elections – the main stumbling block when last summer's Paris conference broke down.

The talks, which come amid reports of intensified fighting in western Cambodia, aim for agreement in principle to an enhanced UN role. The more contentious issue – the exact extent of UN participation in any interim government – would be left to a reconvened Paris conference.

Mr Ali Alatas, Indonesia's foreign minister, co-chairing the talks, said no group had rejected the Australian proposal. But "the minute you go down to details, there the positions will be divergent."

Despite his assertion last week in Bangkok that a UN presence at "appropriate levels is essential," Mr Hun Sen yesterday warned that any dissolution of his Government "would immediately bring about nationwide insecurity and chaos – the kind of favourable occasion for the Pol Pot genocidal clique to grab power again in Cambodia."

The Khmer Rouge position remains unchanged, with Mr Khieu Samphan, the faction leader, repeating his call for a provisional four-party government, a demand unacceptable to Mr Hun Sen.



Juan Ponce Enrile speaks to the press in the Senate yesterday

Nepalese students 'strike' to back calls for reforms

By K.K. Sharma in Katmandu

THOUSANDS of defiant teachers and students of the sprawling Tribhuvan University on the outskirts of Katmandu, capital of Nepal, yesterday began a "pen-down" strike to support demands for democratic rights.

The strike, which left the entire campus deserted, showed that a nationwide campaign for a multi-party system and free elections in Nepal is gaining momentum. Student union leaders said they would boycott examinations in a fortnight.

Students are in the forefront of the nationwide agitation, which is supported by all banned political parties, including the Communists and the Nepali Congress.

Leaders of the movement claim that more than 40 people were killed when police opened fire in a bid to quell recent demonstrations in Nepal, although the official figure is only 12. More than 7,000 people have been arrested in the past fortnight.

In Katmandu, hundreds of riot police patrolled the main markets, but otherwise life seemed to have returned to normal after last Sunday's demonstrations, and shops and offices were open.

Miss Kritanjali Bhandari, a prominent student activist who was underground evading arrest, alleged in an interview yesterday that scores of students arrested in the last 10 days had been tortured and beaten by the police.

"The authorities are using severe repressive measures to cow us down but we are determined to continue our struggle," Miss Bhandari said.

The student demands, like those of banned political parties, include recognition of all parties and free elections.

Aquino opponent arrested

By Robin Pauley, Asia Editor

SENATOR Juan Ponce Enrile, former Philippines defence minister and main leader of the opposition to Mrs Corazon Aquino's government, was arrested yesterday on charges of rebellion, murder and harbouring Gregorio "Gringo" Honasan, a cashiered colonel wanted in connection with attempts to overthrow Mrs Aquino.

The charges relate to the coup attempt in December and allege that Honasan was at Senator Enrile's home on the day it was launched. Maximum penalty for the charges is life imprisonment.

The move is the toughest so far against those suspected of being involved in the sixth and most serious coup attempt which came close to toppling Mrs Aquino in more than a week of fighting. She enlisted the help of the US, which provided air cover but did not open fire.

The army went onto full alert in Manila yesterday and General Fidel Ramos, the defence secretary, warned against violent or illegal action, promising that Senator Enrile would get a fair trial.

The senator's Nacionalista Party accused the Aquino administration of fabricating the charges against him.

South Korea's enviable 'crisis'

John Ridding in Seoul reports on a heated economic policy debate

THE SLOW-DOWN in the South Korean economy, albeit to growth rates which most countries would regard as impressive, has prompted a heated dispute among policy makers about the direction of the economy.

The economic council of the new ruling coalition, which was formed last month, is calling for expansionary measures to revive the economy. This constitutes a direct challenge to the policies of the incumbent economic ministers, led by Mr Cho Soon, the influential deputy Prime Minister.

Mr Cho Soon and his colleagues emphasise the need for balanced growth and more equitable income distribution, after a period of rapid and sustained economic development.

The division throws into question the Government's current anti-inflationary stance, undermines the policy of pressuring industry to move to higher value added products, and may jeopardise financial reforms aimed at reducing income disparities.

Such a dispute is unusual in South Korea, where rapid development seems to have been accompanied by consensus among those responsible for managing the economy.

Part of the explanation lies in the increasing role of party politics in economic management. As one analyst put it: "The new coalition wants to deliver higher growth rates so as to prove its credibility with the electorate and also to satisfy the demands of the influential conglomerates which dominate South Korean industry."

More importantly, however, is the perception that South Korea's economy is undergoing a crisis. Last year's GNP increase of 6.5 per cent, while still one of the highest in the world, represented almost a halving of the growth rates enjoyed over the preceding three years. Words better suited to the basket cases of the international economy are frequently being used to describe the decline.

Advocates of a more expansionary line, which naturally has the backing of the large business groups or chaebol, favour a reversion to the formula employed by previous governments.

This is hardly surprising given that many of the members of the new coalition's special economic committee served in the administrations of President Park Chung Hee and President Chun Doo Hwan which were responsible for South Korea's dramatic export-led growth.

But critics, including Mr Cho Soon, argue that the strategy is no longer appropriate. They claim that while exports remain the key to economic success, the economy should now be adjusting to higher costs and exchange rates by moving upmarket.

Those in favour of a growth first policy are demanding looser monetary policy and a depreciation in the exchange rate, to stimulate exports, which grew by a meagre 3 per cent last year; improve corporate profitability, through a reduction in the interest burden on Korea's highly-leveraged companies; and facilitate new investment.

But ministry officials regard the benefits of expansionary policies as illusory. The inflation that would result, they claim, would create a cycle of reduced international competitiveness, lower exports and slower overall growth.

A related and equally sensitive dispute centres on specific financial reforms. These are aimed at implementing land taxes, to reduce property speculation, and ending the practice of multiple bank accounts, which allows the disguising of wealth.

Mr Cho Soon and his colleagues argue that the huge sums invested by Chaebol in property speculation over the past year have diverted resources from investment in plant as well as prompting a sharp increase in land prices. In addition, they see the implementation of restrictions on land ownership, such as the removal of multiple bank accounts, as an important step in reducing income disparity.

Opponents say, however, that the proposed reforms have reduced the desire of businessmen and industrialists to invest and have delayed the process of economic recovery. More fundamentally, they claim that the priority should be on expanding overall growth rather than determining how it is allocated.

The outcome of the battle is still unclear. But most analysts expect that as the new coalition party strengthens its grip a more expansionary policy is likely to emerge.

Mr Cho Soon has already offered to resign, according to informed reports, and a gloomy mood prevails among his colleagues at the Economic Planning Board. However, the long-rumoured cabinet reshuffle has yet to take place and Mr Cho Soon has survived previous difficulties during his 18 months in office.

A manager of one of the large securities houses estimates that "the sort of package that may emerge could return the growth rate to near double figures, but obviously there will be dangers associated with overheating."

Such a trade-off illustrates the more difficult choices facing career policy makers as a result of the country's shift to democratic government. Even so, most international finance ministers would welcome the "crisis" facing South Korea.

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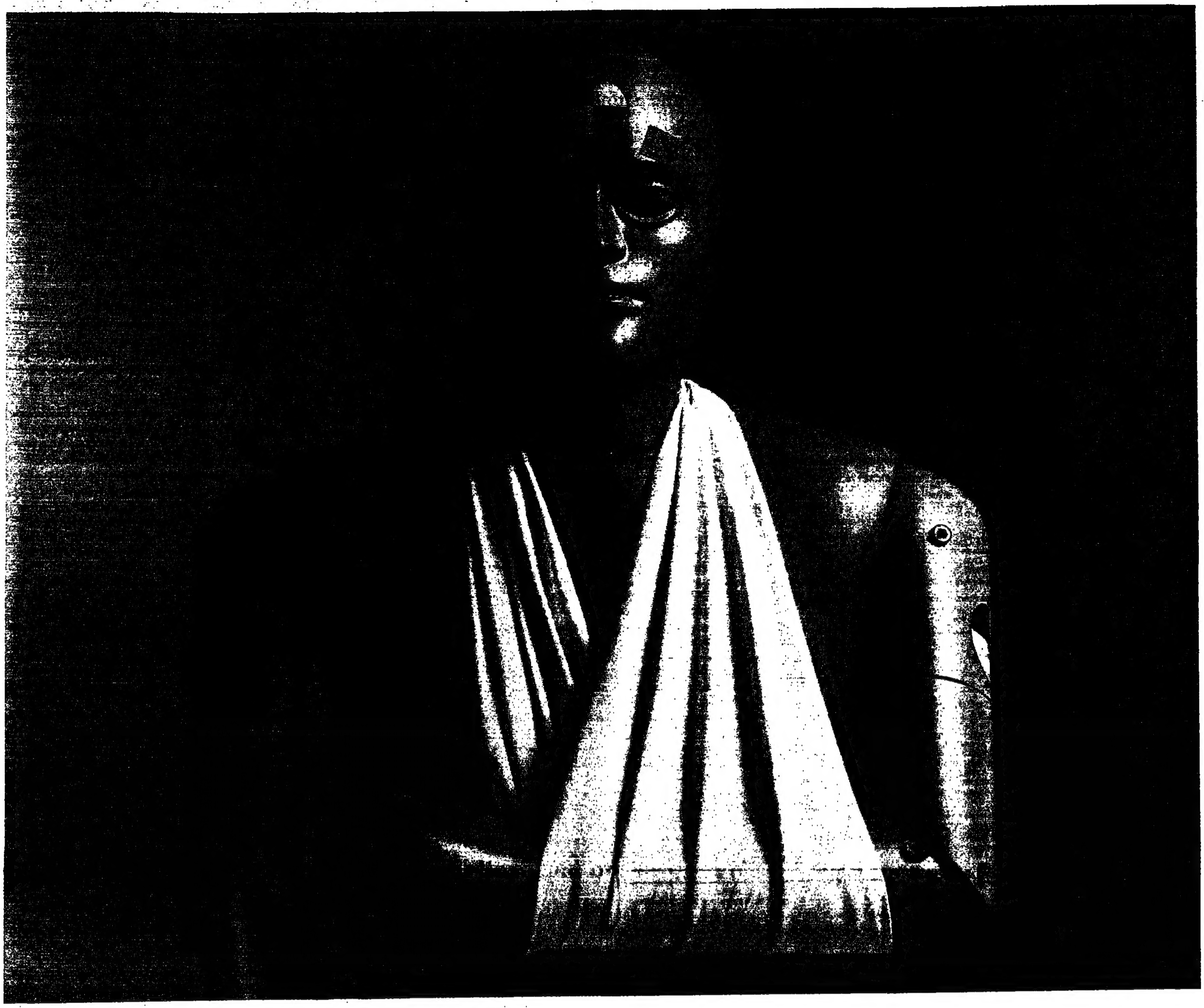

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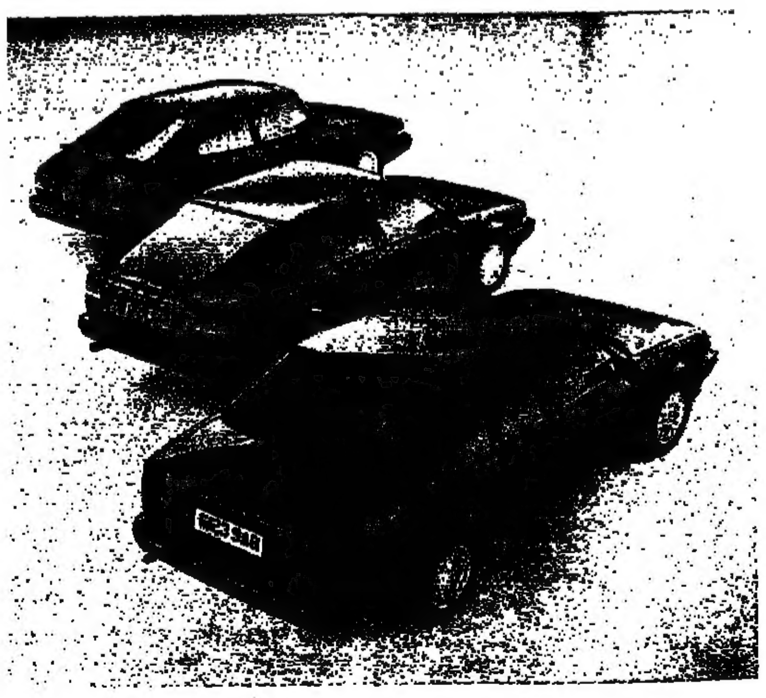

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WORLD TRADE NEWS

France wins Iranian contract for Gulf project

IRAN, long at odds with France over political issues, has awarded a French company the management contract for completing the Gulf's largest petrochemical complex, abandoned by a Japanese firm after years of wrangling, Reuter reports from Paris.

A statement from Technip, an engineering group controlled by French public sector companies, said yesterday it had won a management contract for the "rehabilitation, construction and start-up" of the Bandar Khomeini petrochemical project.

Japan's Mitsui group earlier this month paid Iran $900m in compensation for pulling out of the project, which was repeatedly bombed by Iraqi jets during the Gulf war.

Mitsui pulled out of the deal arguing that it would be cheaper to build a new complex rather than try to repair the Iraqi bomb damage.

Technip sources, however, said they suspected the Japanese withdrew because of problems over how to sell the petrochemical plant's products.

Iran and Mitsui have invested a total of $4.2bn in the project since construction began in 1971. It was 85 per cent complete when the Gulf War broke out in 1980.

Sources at Technip said the French government had not wanted to publicise the company's involvement and that Technip had only decided to make the news public after it had been announced by the Iranian Oil Ministry. None of the financial details were disclosed.

The deal is the second substantial contract won by French companies in Iran's strategic oil sector in recent weeks.

The French building group GTM Entrepose recently signed a $45m deal to repair Iran's Nasr platform in the Gulf's offshore Sirri field, industry sources said.

Tehran and Paris, which have been trying to improve strained diplomatic relations since 1989, are also negotiating over reimbursement of the last third of a $1bn loan that was advanced by the late Shah of Iran.

Iran also wants France to pay interest on the loan while France is claiming compensation for contracts cancelled by Iran after the 1979 revolution.

A Technip spokeswoman said it would evaluate damage to the petrochemical complex and then propose a start-up date: "It will be done in stages and will be spread over several years."

She said that judging from photographs of the complex, the Iraqi damage had been limited. "It is certainly not a heap of ruins. That's because the petrochemical plant had never started working. If it had, the damage would have been much greater."

Technip said it would be responsible for overall management and co-ordination of the project and would control and supervise all activities, but would not itself do any construction work.

Iran has said that South Korean firms would complete building work on the project.

Taiwan trade takes up third of China deficit

TRADE WITH Taiwan accounted for over a third of China's trade deficit last year, Taiwan's economic ministry says. Taiwan has become China's seventh largest trading partner since Taipei lifted a 40-year ban on indirect trade in 1987. Peking predicts Taiwan will become its third biggest trading partner by 1995.

Of China's $6.5bn (£3.8bn) trade deficit, $2.5bn is with Taiwan. Exports to Taiwan in 1989 totalled $600m, against imports of $3.1bn. Trade fell in November and December, but the total was up 37 per cent on 1988. China's exports to Taiwan include primary raw materials, and Taiwan's to China machinery.

Disasters concentrate the mind on oil tanker safety

The shipping industry is anticipating legislation on 'environment class' standards, writes Karen Fossli

THREE massive ecological disasters resulting from oil spills in the past year have intensified the debate over tanker safety and construction standards.

The anniversary soon of the Exxon Valdez oil tanker spillage off Alaska, the bigger spill from the Kharg-5 Iranian tanker off Morocco in January and the American Trader spill off the coast of California earlier this month have concentrated the mind.

In the US, Congress is considering oil spill liability legislation and how to reinforce House of Representatives proposals that would require compensation legislation for new tankers to be built with double hulls or double bottoms if they are to call on US ports.

Intertanko, the Oslo-based International Association of Independent Tanker Owners, and other major shipping interests last month issued a warning against hasty decisions on legislation to protect the world's waterways.

"Various studies are under way to determine the advantages versus the disadvantages of double-bottom/double hull construction, and it would be imprudent to act until these studies are completed.

It would vastly disrupt international trade and inhibit the orderly flow of oil transport throughout the world if US domestic legislation were to require structural requirements different from those adopted internationally."

They strongly support a proposal by the US Senate requiring a one-year study of alternatives and rule-making by the Department of Transportation before a double-bottom requirement would be final.

The National Research Council of the National Academy of Sciences has formed a committee on tank vessel design to examine and report later this year on oil tanker structural questions.

Supporters of double bottoms/double hulls believe these designs could have a significant effect on cutting oil spills caused by a collision. Neste Oy, the Finnish state oil company, has even suggested that spills were prevented in nine out of 10 collisions because the ships were fitted with double bottoms.

Opponents argue that a double-bottomed vessel introduces new safety hazards which can contribute to, rather than mitigate, oil pollution by greatly reducing the chances of refloating a ship after grounding.

Between 15 and 20 per cent of maritime accidents are caused by technical faults and the rest by human error

Next month the International Maritime Organisation (IMO) will meet in London when it will be presented with a Norway-led Nordic initiative suggesting areas where the 1978 Marpol (Maritime Pollution) Convention may be strengthened in a bid to avert unilateral legislation.

Marpol, the international convention for the prevention of pollution from ships, came into force in October 1983 after a decade of difficult negotiations between coastal and shipping interests.

Now Marpol may have to be modified yet again in the light of the spate of spills in the last year. It is thought clauses on the human element in accidents will need strengthening.

The Nordic initiative is calling for, among other things, attention by IMO to be paid to operational routines, training and shipboard management.

According to generally accepted shipping industry figures, between 15 and 20 per cent of maritime accidents are caused by technical faults and the rest by human error.

While there are questions surrounding the economic viability of upgrading the ageing world fleet with double bottoms and double hulls, there are signs that the shipping industry is responding to what may become future legislation by fitting new ships with "thick skins".

Norway's Rasmussen shipping group and a consortium headed by Swedish company Nynas Petroleum have ordered three 150,000 deadweight-ton (dwt) Suez maxi-class tankers to be built in compliance with Norway's shipping insurance company Det norske Veritas's set of environmental standards and technical requirements aimed at reducing oilspill after collision and/or grounding.

Veritas analysed many collisions and groundings to improve the ship structure which it believes can be achieved by protecting the cargo tanks with a double-bottom hull. In addition, there are four optional class notations, including protective location of ballast tanks, under-pressure or vacuum in the cargo tanks to limit oil outflow in case of grounding and new pump arrangements which are said to make it possible for the emergency transfer of oil cargo from damaged tanks.

These moves by Veritas are an effort to pre-empt US legislation which would have an effect on the crude oil shipping industry as US imports of oil increase. In the past year US crude oil imports have shot up by nearly 45 per cent and some industry analysts forecast that by the turn of the century 60 per cent of the country's average annual demand of 15m barrels a day will come from imports.

In the end, the question in protecting the world's waterways is who will pay the new costs?

Asean gas pipeline company formed

AN Italo-French consortium open to EC companies has been formed to examine possibilities of building a $10bn (£5.9bn), gas-carrying Trans-Asean Pipeline (TAPL), Marie Therese Lams reports from Rome.

TAPL was conceived as a key infrastructure project in developing the gas sector of the Association of South East Asian Nations, drawing on European experience. It could diversify Asean's energy sources away from oil dependence.

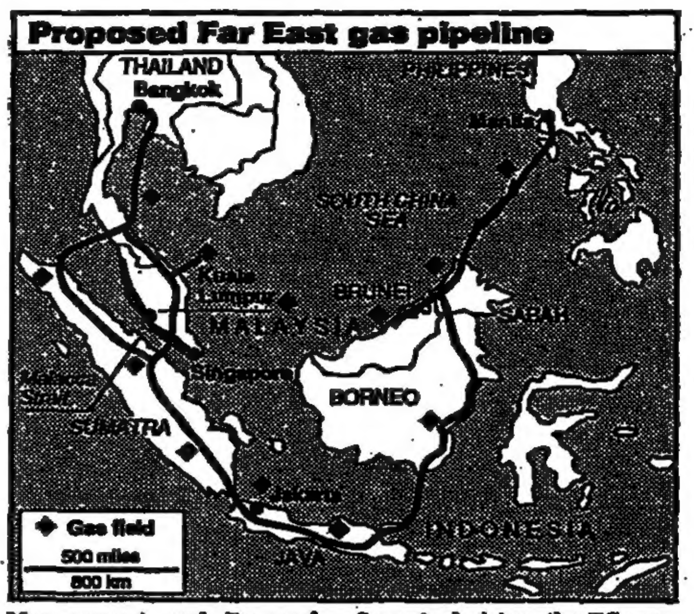
At present, most gas from the fields in Indonesia, Malaysia and Brunei is liquefied and sent to Japan and Korea. In future, these exports could increase, as proven and discoverable reserves are abundant (4,386bn cu m and 2,850bn cu m respectively).

It could also be possible to supply the less-endowed Asean countries - the Philippines, Singapore and Thailand – with natural gas, fostering the region's development and opening new markets.

Consortium members so far include Agip, Agip Petroli, Snam, IMI, Total, and Gaz de France. The Asean-EC Energy Management and Research Centre has asked the consortium to prepare terms of reference for the Asean Senior Officials on Energy Co-operation (Somec) in June 1990.

If Somec accepts these, the Centre will ask the consortium for a feasibility study. Pending Somec's decision, the EC may help finance the project. Most of the financing will come from the consortium, and the Italian and French Foreign Ministries.

The project's operational stage has been worked out in detail. Nearly 5,000 miles long and with a minimum capacity of 1.16bn cu ft a day, mostly with a two-way flow, it would link Bangkok, Brunei, Kuala Lumpur, Singapore, Jakarta and Manila. The northern part of the line would feed gas northward from Malaysia to Bangkok.



Running south and east from Malaysia's Kerteh terminal, the line would connect Malacca, Sumatra, Java and Jakarta, before turning north across Borneo to the Philippines. Spurs from the main line would link Malacca to Kuala Lumpur, Penang and Singapore.

Feeder lines would bring extra supply from Arun, northern Sumatra, and from Sarawak, Brunei and Borneo to the Philippines. It would also link into other mooted lines, including one from Indonesia's offshore Natuna reserves to Singapore.

Most of the 668-mile offshore route is in sea depths of less than 325 ft, but the later stages, between Sabah and the Philippines, cross water up to 1,625 ft deep. These present less of a challenge than the Algeria-Italy pipeline, which in 1982 achieved a depth up to 1,976 ft.

Mexico's vehicle exports up 13% to record 195,999

By Richard Johns in Mexico City

MEXICAN EXPORTS of vehicles, almost all of them cars, rose by nearly 13 per cent last year to a record 195,999 units. Of the total, 84 per cent went to the US, according to the Mexican Automobile Industry Association (AMIA).

The second biggest regional destination was Central America which took 7.2 per cent of the total – twice as much as Canada. Chrysler led the field with a rise of more than one third with its sales abroad up from 50,392 vehicles to 67,840.

Ford registered a 40 per cent fall in exports, from 66,361 in 1988 to 39,580 last year, following a six-month shutdown at its Hermosillo plant, starting last August, because of a $300m (£176m) expansion programme there. Output is due to restart, with capacity up a quarter to 165,000 units, and double-shift working.

While General Motors recorded a modest 10 per cent increase in exports from 36,505 to 40,376, the most notable advance was by Volkswagen, whose capacity at Puebla rose mainly to satisfy domestic demand. VW's exports last year increased from 473 to 23,065 vehicles, nearly all of them Jetta and Golf models.

Nissan, basically oriented to the home market, increased its exports from 18,871 to 25,138, one third of them pick-up trucks and vans.

Domestic sales of all types of vehicles were up 30.4 per cent to 445,863 units in 1989, the best year since 1982, reflecting modest economic recovery, the price freeze and need of owners to replace old models.

Mexico's car industry exports, including parts, in the first half of 1989 were worth $1.8bn, more than 10 per cent of the country's total. During this time, it accounted for over 25 per cent of the manufacturing sector's overall growth, statistics show.

Total vehicle output was a record 641,275 in 1989, 7 per cent up on a previous peak of 597,118 in 1981, prior to the onset of Mexico's economic and financial crisis. At 438,632, car output was 23 per cent higher than the 355,497 recorded eight years earlier.

AMERICAN NEWS

Congress investigates 'tax gap' of US subsidiaries

By Nancy Dunne in Washington

US Congressional leaders are investigating a suspected "tax gap" based on allegations that many American subsidiaries of foreign companies have underpaid their taxes by as much as $8bn to $12bn a year.

The Internal Revenue Service has reported a large disparity between the taxes paid by the American subsidiaries and US companies, which is believed to result from intercompany "transfer pricing".

The IRS has long suspected that foreign companies are charging high rates for products sold to their subsidiaries to reduce the subsidiaries' profits and tax liabilities.

The US, like most other countries, works on the arm's length principle – a foreign parent is supposed to charge its subsidiary the same price as a buyer would pay an unrelated seller.

Congressman J.J. Pickle, chairman of the House ways and means oversight committee, said that preliminary findings of a subcommittee investigation confirm that the level of tax payments of foreign-owned businesses in the US is unusually low relative to the rise in their gross income.

He cited IRS statistics showing that in 1986, foreign-owned companies reported more than $540bn in gross receipts and a negative tax liability of $1.5bn. Mr Pickle said: "It appears from our preliminary investigation that some very large foreign firms are routinely shifting income from their subsidiaries, thus reducing US tax obligations. Billions of dollars in tax revenues may be at stake."

In the Senate, Majority Leader Mr George Mitchell asked his staff to prepare a study on recent reports of non-compliance by US subsidiaries.

Congressman Richard Gephardt, the House Majority Leader, has his own investigation going.

He told a United Auto Workers' Conference that foreign-owned vehicle makers pay a tax rate amounting to 0.00166 per cent of their total US assets, compared to the 28-30 per cent paid by domestic corporations.

Mr Gephardt's staff is now looking more broadly to see whether foreign-controlled corporations of other industries pay a similarly low tax rate.

Congress last year passed an "earnings stripping" law which restricted interest expense deductions on loans from related foreign parties and added new reporting requirements for foreign parents of US subsidiaries.

Some congressional staffers are now saying that these provisions did not go far enough.

IMF postpones quota deadline again following diagreements

By Peter Riddell, US Editor, in Washington

THE International Monetary Fund is to postpone for a second time the deadline for deciding an increase in its resources, or quotas, because of continuing disagreement among member governments.

The executive board of permanent representatives in Washington agreed yesterday that members would be asked to approve a three-month deferral of the deadline until June 30.

This follows a three-month postponement from last December and means that intensive talks will have lasted well over six months.

The IMF hopes that the main issues can be resolved by the executive board, leaving any remaining items to be decided when finance ministers come to Washington in just over two months time for the spring meeting of the policy-making interim committee.

The main disagreement is over the problem of arrears to the IMF owed by Third World countries. A far-reaching US plan for providing tighter disci pline and greater incentives linked to sales of some IMF gold, has hit opposition from European governments.

There is also a dispute between Britain and France over redistribution of voting shares among the leading members. Japan will take Britain's place as second largest shareholder and the question is whether, and on what terms, the UK and France share fourth place.

By contrast, there is broad agreement on an increase in IMF resources or quotas of about 46 to 51 per cent, following the US indication that it will accept a rise of up to 50 per cent.

Colombian violence is on increase

By Sarita Kendall in Bogotá

POLITICAL violence is once again dominating Colombia, after six months of a drugs war and official assurances that paramilitary gangs had been largely broken up.

Silvia Duzan, a freelance journalist, and three peasant leaders were shot down on Monday evening in Cimitarra, a small town in the middle Magdalena. Earlier, Mrs Diana Cardona, the mayor of Apartado, was kidnapped in Medellin by gunmen disguised as security police, and killed.

Two councillors, one from the left-wing Patriotic Union, have also been killed.

Sixty-six members of the party have died this year in political violence; several of them were candidates for the March 11 local government elections.

The list of killings in the last 48 hours includes six people who were massacred at a country wedding. An unknown number have died in confrontations in the north.

The former mayor of Puerto Boyaca, accused of involvement in the massacre of 43 people in late 1988, was captured on Monday morning.

Concern at collapse of Argentine currency

By Gary Mead in Buenos Aires

THR relentless collapse of Argentina's currency, the austral, showed no signs of abating yesterday, as it reached a new record low of 5,600 australs to the dollar.

At the start of February a dollar bought 1,870 australs; one year ago it traded at 27 australs.

President Carlos Menem's Peronist Government said at the weekend that there is no intention of returning to fixed exchange rates, but pressure is rapidly growing against his economic policies. In the course of February the austral has become a currency which no one wants.

President Menem's failure last week to entice Mr Eduardo Angeloz, Radical party governor of Córdoba province, to join the Cabinet, is just the latest in a series of political setbacks which, in the currently highly uncertain climate, immediately translate into further economic pessimism.

Political figures in both the Peronist party, and minor parties such as the Christian Democrats, the Intransigent party and others (in the broad alliance called Frejupo, which supported Mr Menem's presidential candidacy in May 1989) have called on the Government to return to old-style Peronist policies, and to ditch moves towards privatisation and uncontrolled exchange rates. President Menem has asked his political allies for a "60-90 day truce".

Left-wing politicians in Congress have called for "immediate elections to form a people's national assembly"; senior Radical party figures are demanding that the Government drops its planned privatisation of the telephone system, the railways and other state-run companies; and violent indications of discontent have returned with the placing of two bombs last week outside a branch of Citibank and offices belonging to the grain multinational Bunge and Born.

The financial situation is becoming daily more precarious. It is clear that the Treasury will finish February with a massive deficit, and no source of financing except to print more australs.

UK-US talks on IMF quotas and German union

By Peter Norman, Economics Correspondent

MR JOHN MAJOR, the UK Chancellor of the Echequer, yesterday met Mr Nicholas Brady, the US Treasury Secretary, for a first meeting that was described by the British Treasury as "long, friendly, constructive and wide ranging."

The two men were understood to have discussed the vexed issues of the planned quota increase and arrears at the International Monetary Fund; the economic implications of German union; how best the west could help eastern Europe; the progress of Mr Brady's debt reduction strategy for heavily indebted middle-income developing nations and world financial markets.

It appeared that both Britain and the US would now be prepared to support a 50 per cent increase in IMF quotas, or subscription rights, from their current level.

However, the US is insisting that the increase must be linked to resolving the problem of arrears owed the IMF by some of its poorest members.

Mr Brady outlined his plan to sell a limited amount of IMF gold to create a trust fund to help these countries introduce market-based economic reforms.

The US Treasury secretary considers that his debt initiative has helped instil an awareness in debtor countries such as Mexico, Brazil, Uruguay and Chile that they must create the conditions to attract foreign capital inflows.

In discussing German union, Mr Major is believed to have underlined the British view that the subject is very complex and requires detailed analysis.

Uniting the two Germanys will have budgetary implications in Germany and the European Community, which may further influence interest rate trends.

While Mr Brady and Mr Major were discussing how to help eastern Europe, their senior officials were discussing further details of the planned European Bank for Reconstruction and Development that is being established to help east European countries adopt market based economies. Britain has made a bid for the bank to be sited in London.

A bemused defence industry foresees European integration

By Charles Leadbeater

IT IS not only diehard, cold-war communists who are bemused by the way the upheaval in eastern Europe has swept away long-established political and military assumptions.

According to Mr David Greenwood, director of the Centre for Defence Studies at Aberdeen University, a mood of "all round bewilderment" has descended upon the management of some of Europe's most significant companies – its defence contractors.

The uncertainty was evident among senior British defence industry executives who gathered yesterday at a conference organised by Barclays de Zoete Wedd, the brokers, to discuss two linked waves of restructuring sweeping the industry.

The first is the consequences for arms control and military procurement of the seeming collapse of the Warsaw Pact.

The second is the consolidation of the European defence industry through collaborative projects, joint ventures and cross border acquisitions.

Perhaps the only clear conclusions were that the conjunction of these two developments presents the defence industries with an historic challenge.

"There is a strong disposition of European finance ministries to put most, if not all, acquisition plans on hold," Mr Greenwood said.

According to Group Captain David Bolton, director of the Royal United Services Institute, there will be fewer forces, but armed with weapons systems which are more sophisticated, flexible, adaptable and mobile.

Air Vice Marshal John Allison, in charge of operational requirements for the Royal Air Force said: "The changing situation in eastern Europe has not weakened but broadened the military case for the European Fighter Aircraft programme (EFA). As pressure increases for reduced military forces and defence budgets there will be a premium on the quality and flexibility of equipment. Multi-purpose weapons systems such as EFA will become increasingly important."

Sir Peter Levene, chief of defence procurement at the Ministry of Defence predicted that international programmes will move away from joint management companies, involving main contractors in every participating country, towards the appointment of a single company to act as prime contractor for all nations.

He also predicted the spread of reciprocal procurement agreements, such as the deal between the UK and French governments to open up defence procurement.

Dr Johann Schäffler, chief executive of Messerschmitt-Bölkow-Blohm, the West German defence aerospace group, called for increased co-operation on research and development.

Mr Dick Evans, chief executive of British Aerospace said: "A much closer integration of military-civil aerospace companies on an international basis will have to evolve." This would pose difficulties for regulators and management, particularly over where control of a transnational project would be located, he said.

However, there is little doubt that European defence companies are going to draw their wagons into a tighter circle.

Mr Greenwood concluded : "Some defence-oriented contractors will opt out or diversify. New patterns of ownership and affiliation will knit together those who stay in, within a denser network of internation connections."

Sea storms bring coastal havoc

By Richard Evans and Patrick Cockburn

THOUSANDS of homes were under water around Britain's coasts yesterday as a third day of storms and floods battered coastal defences and brought havoc to much of Europe.

The death toll reached 39 in eight countries as the gales continued, and weather forecasters predicted more high winds in the south today.

Since the beginning of the year storms are estimated to have cost the insurance industry in the UK around £3.5bn, although it will be many months before all claims are processed. The total may be higher than for the previous five years.

Worst hit yesterday in Britain, as sea defences were tested sometimes to destruction, was North Wales, where thousands were forced to leave homes as mountainous seas battered sea defences.

Over the two days, a further seven have died in France, seven in West Germany, five in Belgium, two in East Germany, two in Switzerland, and one each in the Netherlands and Ireland. This compares with the total of 95 killed in Europe in the January storms.

The Netherlands yesterday went on its most serious storm alert for 37 years, as a high spring tide combined with storms to whip up the seas off the Dutch coast to the highest level since the catastrophic floods of 1953.

Shipping in the English Channel and the Irish Sea was badly disrupted by the gale force winds, and the Thames barrier was raised to prevent the high tide from flooding parts of the London area.

Insurers attribute the high level of claims both to the ferocity of the weather and to the tendency of householders in recent years to carry comprehensive insurance.

Church blamed for blocking capitalism

By Hazel Duffy

THE CHURCH, the salaried middle classes, and poorly educated school leavers are standing in the way of Britain realising the full fruits of capitalism, Mr Peter Morgan, director general of the Institute of Directors, told the directors' annual convention yesterday.

His breezy remarks delighted an audience of nearly 3,000 director members and their guests at London's Royal Albert Hall.

In his first appearance before the convention since moving from a senior executive post at IBM into his IoD post, he struck a popular chord.

Mr Morgan's theme was that even after ten years, the Thatcherite revolution was far from complete. The obstacles stemmed from the establishment which had been responsible for "100 years of decline of UK plc," he said.

The establishment had "lost its authority," but it "had not acknowledged its failure," nor had it "renounced its anti-enterprise attitudes."

For the established church, the enterprise culture is "an alien concept." Many in the middles classes hoped that the 1980s would prove to have been a "nasty one-off experience which can be set aside in the 1990s." For some here, he said, "the distribution of wealth is a noble activity – creating wealth is mucky and squalid."

Mr Morgan won the biggest round of applause when he called on teachers "to discard the blue jeans of union activism and put on the gown of a respected profession."

Home loan chief quits after clash of style

By Richard Waters

THE highest paid executive in the UK home loans industry has resigned after a clash of management style and personalities.

Mr Richard Lacy, chief executive of National Home Loans, the first of a wave of wholesale-funded mortgage companies to be set up in the mid-1980s, was paid £425,000 last year – far more than others in the industry and more than most senior executives in the banking industry at large.

His high salary and taste for luxury cars has aroused considerable envy.

The company said in a statement that Mr Lacy had resigned "because of differing views on the future direction of the group." However, Mr John Darby, NHL chairman, said this did not reflect a major difference of opinion over strategy, but a difference of management style.

He also said the departure did not indicate that NHL was suffering difficulties in the current depressed housing market, but that profits were on target this year. The company's strong performance in difficult conditions last year was responsible for Mr Lacy's 63 per cent pay increase.

Mr Lacy's demise appears to have been at least partly the result of a power struggle within the group, although directors privately played down the extent of this. The new chief executive is Mr Kevin Milner, a former finance director of Grand Metropolitan's retail division who set up NHL with Mr Lacy.

GUINNESS TRIAL

Roux denies plan to 'get rid of Saunders'

By Raymond Hughes, Law Courts Correspondent

MR OLIVIER ROUX yesterday denied that by early 1987 there had been a cabal in Guinness – which had included Sir Norman Macfarlane, later to become the company's chairman – which had been intent on getting rid of Mr Ernest Saunders.

Asked by Mr Richard Ferguson, QC, for Mr Saunders, if the Guinness non-executive directors' committee, headed by Sir Norman, had been nicknamed the Sack the Chairman Committee, Mr Roux replied: "I think that is what Mr Saunders called it, jokingly."

Continuing his evidence in the Guinness trial at Southwark Crown Court, Mr Roux, a key prosecution witness, claimed he had been deliberately excluded by Mr Saunders from a meeting of Guinness's directors at the Inn on the Park on December 18 1986.

The meeting had decided that Sir David Napley's firm, Kingsley Napley, should replace Freshfields as Guinness's solicitors because of a possible conflict of interest on Freshfields' part.

Mr Roux said he felt that Mr Saunders had manipulated Guinness. Mr Roux said: "When I met members of the board in January they told me they had been bamboozled."

Mr Roux is the first witness in the trial of Mr Saunders, formerly chairman and chief executive of Guinness, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the financier.

The four accused men have pleaded not guilty to charges arising from a share-support operation mounted by Guinness during its takeover battle for Distillers in 1986.

Mr Ferguson asked about the letter sent by Mr Roux to Sir David Napley on January 5 1987.

Mr Roux said that the letter referred to information bearing on the DTI inquiry into Guinness's affairs and dealt only with entities which had participated in the Guinness share-support operation.

Mr Roux said his letter had been copied to Sir Norman Macfarlane and Sir John Nott, chairman of Lazards, the merchant bank which had been working closely with Guinness.

Why none of the other directors? asked Mr Ferguson. He suggested: "This was the start of a cabal to get rid of Mr Saunders."

Mr Roux disagreed.

Mr Ferguson suggested that once Mr Roux had realised that Mr Anthony Salz – "your friend from Freshfields" – was no longer to be Guinness's solicitor "you decided to make a pre-emptive strike by seeking to cast blame on Mr Saunders."

Mr Roux replied that "that would have a better place in a novel." He had, he said, acted on independent legal advice.

The trial continues today.

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UK NEWS

Opening of E Europe likely to affect world growth

By Peter Norman, Economics Correspondent

THE opening of eastern Europe and the associated decline in the US government deficit that will result from reduced defence spending are likely to be positive factors affecting world growth over the next 10 years, the National Institute of Economic and Social Research, one of Britain's oldest independent research groups, says in its latest quarterly report.

But it does not believe that the development of East Germany, Poland, Hungary or Czechoslovakia will produce greatly accelerated growth in western Europe.

It suggested that the situation of the EC economies relative to eastern Europe may be similar to that of the US relative to Europe and Japan after the Second World War.

Capital and technology will flow from west to east, providing the opportunity for the east to catch up. Some at least of the EC countries should benefit from increased trading opportunities.

But the institute says industrial investment in the EC may be somewhat curtailed.

In the same way, the US did not share in the acceleration of growth that was experienced by Japan and western Europe in the 1950s and the 1960s.

While the Institute has tried to take events in eastern Europe into account in its forecasts, it makes no attempt to deal with German unification.

This is mainly because its econometric model has no data for a unified Germany but partly because it believes the two Germanys will be very different economies for many years to come.

For the next three years it forecasts growth in West Germany will continue at 3 per cent a year while in France growth is forecast at about 2 to 2.5 per cent.

Economic and social research group forecasts steady rise in gross domestic product

Britain may join EMS soon, says Institute

By Peter Norman, Economics Correspondent

THE National Institute of Economic and Social Research's latest forecast sees the British gross domestic product rising by a slow 1.4 per cent this year before accelerating to 2.3 per cent in 1991 as full British membership of the European Monetary System allows interest rates to fall substantially.

In a report published in its Review, the institute, one of Britain's oldest independent research groups, says that it seems increasingly likely that Britain will join the EMS exchange rate mechanism before the general election, and possibly within the next 12 months. It is on this assumption that its forecast has been based.

It has assumed that sterling will be worth DM2.72 in the fourth quarter of this year when it will enter the ERM at this rate with a narrow fluctuation margin of 2.25 per cent. The pound will then depreciate slightly in terms of its effective exchange rate throughout the 1990s.

Against this scenario, the NIESR sees a marked drop in UK interest rates. Bank base rates, currently 15 per cent, could be cut by one percentage point in the third quarter of this year and fall to an average of 11.3 per cent in 1991 and 7.5 per cent by 1995.

The institute expects a neutral Budget next month with no tax changes relative to the current base level, indexed for inflation.

Looking ahead, it says the Government's room for manoeuvre will be limited by the need to improve the UK current account balance of payments deficit. The current account and the high level of personal borrowing in Britain will necessitate a continuing tight fiscal policy with the Government maintaining a public sector surplus.

Excluding oil production, the institute sees growth of only 0.8 per cent in Britain this year. It forecasts a small decline in manufacturing output, accompanied by a deceleration of growth in the construction and distribution sectors. By 1991, however, non-oil GDP should increase by more than 2 per cent, with output growing in all sectors.

Manufacturing investment is expected to fall slightly in 1990 before staging a limited recovery next year as output improves and the interest rate cuts assumed by the institute reduce the cost of capital.

Lower interest rates should also limit the extent of destocking this year although this will still be substantial. Using 1985 prices, it forecasts a £1.64bn drop in manufacturers' and distributors' stocks this year and a further £485m decline in 1991 after last year's £4.1bn rise in stocks.

This destocking, the anticipated fall in investment and a forecast £2bn improvement in the balance of Britain's oil trade will help curb imports and produce a substantial drop in the current account deficit to £11.4bn this year from £20.3bn in 1989. However, renewed economic growth will mean little further improvement in the current balance in 1991.

The National Institute expects this year's slowdown in output will start to push unemployment up from the middle of 1990, from around 1.6m in the first half of this year to around 1.75m by the end of 1991.

On inflation, the institute expects the retail prices index will rise in the short term because of the poll tax and recent mortgage rate increases. However, ERM membership should produce a relatively steady exchange rate and lower interest rates. As mortgage rates fall, the NIESR forecasts that the annual rise in the retail prices index could be down to 4.6 per cent by the final quarter of next year from 6.8 per cent the same period of this year.

● The National Institute's also reported that productivity of the British manufacturing industry was less than 70 per cent of level of output per person achieved in the Netherlands in 1988.

National Institute Economic Review, Number 131, February 1990. Annual subscriptions £55 (UK), £75 (abroad) or single issues £15 (UK), £22 (abroad) from 2 Dean Trench Street, Smith Square, London SW1P 3HE.

Markets look to exports to lead UK away from recession

By Rachel Johnson

IF it is hoped that today's UK trade figures show one thing, it is this: that industry has leap-frogged sluggish domestic markets to supply those overseas.

The financial markets are relying on the UK to export itself out of recession. Some in the City of London believe it can be done, as domestic demand weakens, industry underinvests, and stockbuilding goes into reverse.

Greenwell Montagu predicts a strong export performance of about 10 per cent which will enable the UK to escape recession. It admits this forecast is top of the current range.

Some analysts have predicted that the much-anticipated current account deficit in January could slip under £1bn for the first time since September 1988.

The UK's balance of trade is, for the moment, one bright spot in a bleak economic picture. Mr John Major, the UK Chancellor, was able to tell the House of Commons that the trade deficit was showing signs of improvement, "with our exports performing very well, but import growth moderating."

The fact that the UK's export performance has been achieved under sombre economic conditions – though apparently starting – is predictable. Mr Walter Eltis, director general of the National Economic Development Office, says that the five monthly declines in the current-account balance of payments deficit is largely due to the coincidence of two factors.

John Major: UK Chancellor

First, is the "softening" of the home market. Demand has fallen off. At the same time, British industry has become more adept in shifting its products to hungry overseas markets. "Management has become more flexible, and we also have a supply flexibility," he says.

Manufacturers have therefore had no option but to target overseas markets. The forecast of forecasts compiled by the Treasury predicts world trade to grow by 7-8 per cent this year but UK GDP growth to average only about 1.2 per cent.

Sterling's 12 per cent depreciation last year also gave an edge to UK competitiveness. Prices for export increased more than prices for imports, thereby allowing exporters to absorb rising production costs.

The pound has been strengthening steadily since the start of the year, but this is not expected to impair this month's trade figure. Predictions of another creditable export performance may be fulfilled today. The trade deficit halved between July and December, and economists are saying there are no apparent reasons for the trend to reverse yet.

This week's CBI monthly trends survey reported that a majority of firms said order books for exports were "above normal" for the first time since September 1988 – that month of good omen when the trade deficit totalled only £683m.

The London Business School also this week forecast that export volumes will rise 3.5 per cent this year, compared with just one per cent for imports. The latest British Chambers of Commerce quarterly business survey showed that many more UK manufacturing companies were channelling production overseas.

Lastly, Japanese trade figures yesterday caused some excitement on trading floors for furnishing some early hints about exports. At Greenwell Montagu, traders were noticing that the level of Japanese car imports had dropped almost 50 per cent on the month. So the City of London is hoping the Treasury will be able to applaud another good trade figure today.

Japanese corporate investment doubled in last three years

Michael Skapinker

TOTAL investment by Japanese companies in the UK has more than doubled in the last three years, the Electronic Industries Association of Japan said yesterday.

The Association said that Japanese investment in electronic manufacturing and service facilities in the UK totalled £1.3bn today, an increase of 136 per cent on the level of January 1987.

In the same period, the number of people directly employed by Japanese electronics companies in the UK increased by 46 per cent to 21,000. Of these, 15,000 are employed in manufacturing jobs and 6,000 in service positions.

The largest Japanese employer in the UK is the Matsushita Group, which has over 3,000 UK employees.

The Association said the number of people employed in the UK by Japanese electronic companies is expected to rise to more than 23,000 by 1994, while total investment over the next few years will rise to £1.7bn.

Mr Takeo Negishi, director of the Association's European office, said that provided the British government's positive attitude towards Japanese investment continued, the UK would remain Japan's most important industrial base in the European Community.

He said that whereas the first wave of Japanese investment in the UK focused on consumer goods, Japanese companies were now also using the UK as a base for the manufacture of industrial products.

London rules out suspension of Anglo-Irish agreement

By Our Belfast Correspondent

MR PETER BROOKE, the Northern Ireland Secretary, yesterday ruled out a fullscale suspension of the Anglo-Irish agreement to enable Unionists to take part in inter-party talks on political progress.

The statement is certain to disappoint Unionist leaders who met Mr Brooke last week and reiterated that the Accord must be made inoperative before talks could begin.

Mr Brooke said it was generally accepted that the agreement worked well and allowed ministers from both Britain and the Republic of Ireland to discuss matters of mutual concern.

He said his current talks with party leaders were aimed at finding common ground for dialogue and there would have to be "a bit of give" on everybody's part when parties were putting forward positions which appeared mutually exclusive.

Mr Brooke's comments came as details of the Unionist outline proposals for dialogue, put two years ago to his predecessor, Mr Tom King, were published in an article in the Irish Times.

In return for the Irish Government dropping its constitutional claim to Northern Ireland Unionists would co-operate in the formulation of a new British-Irish agreement.

An Irish government office in Belfast is envisaged and the proposals also suggest discussion on a new devolved assembly in Northern Ireland.

Mr Peter Robinson, deputy leader of the Democratic Unionist Party, would neither confirm nor deny that the proposals represented Unionist policy but he said that any plans for progress submitted were on the basis that they would replace the Anglo-Irish agreement.

Mr Eddie McGrady, a Social Democratic Labour Party MP, said the proposals were interesting, although he wished to study them in full.

Post Office to hive off parcels service with restructuring

By Kevin Brown, Transport Correspondent

THE POST OFFICE yesterday unveiled an £80m investment programme which will separate its parcels service from the rest of the postal business.

The Post Office said the reorganisation was intended to protect the competitive position of Royal Mail Parcels, which claims 30 per cent of the £1.5bn UK parcels market.

However, the announcement will add weight to claims that the parcels division is being prepared for privatisation, probably in the next parliament.

Mr Douglas Henderson, an opposition Labour trade and industry spokesman, said he would write to Mr Eric Forth, the Trade and Industry Under Secretary, seeking a commitment that it was not a prelude to privatisation.

"The £80m investment could be used by the Government to gift wrap the service for privatisation. Competitors would grab the chance to purchase this profitable and efficient asset," Mr Henderson said.

Mr Nick Nelson, managing director of Royal Mail Parcels, said privatisation was a matter for the Government.

"They are our shareholders. We are employees in this business and our objective is to provide our shareholders with a good return on their investment, irrespective of who owns us. I am not aware of any plans for privatisation," he said.

Other executives said the reorganisation plans had been prompted by the strength of the competition.

Under the reorganisation, Royal Mail Parcels will be renamed Parcelforce, and will take responsibility from the Royal Mail letters business for both collection and delivery of parcels.

As part of the changes, the parcels division will increase its vehicle fleet from 5,000 to 10,000, and establish a network of 150 sorting centres to manage collection and delivery.

MANAGEMENT

Distribution

May the force be with you

Philip Rawstorne explains why Royal Mail parcels has a new face

"Here was an organisation that was a market leader, with a turnover of £600m a year, and 12,000 employees – and it was almost invisible."

That was how John Sorrell, chairman of corporate identity specialists, Newell and Sorrell, described Royal Mail Parcels.

Yesterday, the organisation emerged from the cocoon of the Post Office with a new name – Royal Mail Parcelforce – and a fresh image that is intended to convey a sense of zap in the marketplace.

The computer-generated shade of its vehicle livery, the glinting diamond logo (the jewel in the Royal Mail crown), the newly-designed uniforms of the staff, the typography of its signs – all are meant to be more than merely cosmetic.

The intention is to reflect fundamental changes in the management and the organisation of the business, and to signal to both staff and customers a more dynamic and determined approach to the market.

Without the monopoly protection afforded the collection and delivery of letters, the parcels operation is subject to *intense and growing competition* from a horde of privately-owned parcel and freight distributors.

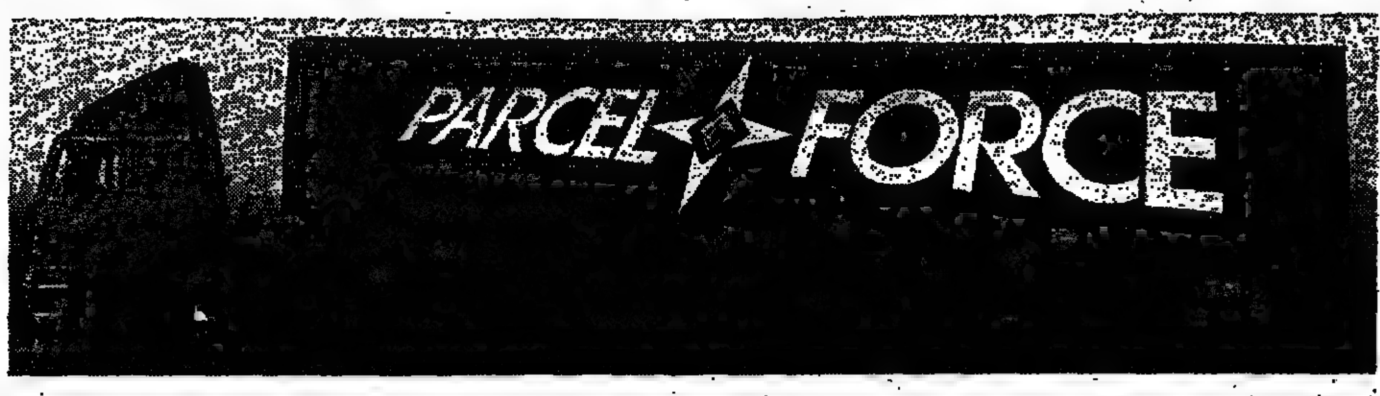
Ninety-five per cent of its traffic is for business customers in a market valued at around £1.5bn; *and though it leads the field of more than* 1,000 operators with a market share of 30 per cent, it has had a much lower marketing profile than competitors such as Securicor, Federal Express, TNT and DHL.

"We had a generic name rather than a corporate identity and a branded range of services," says John Payne, corporate communications manager. "We were confused with the letters service and perceived as the people who looked after granny's parcel."

Nick Nelson, Parcelforce managing director, adds: "We are a business in our own right, depending on our own abilities, our services and products, for our survival. We must express our innovativeness and professionalism in order to maintain our leading position."

To that end, the identity changes are being supported by an £80m three-year investment programme, in which the vehicle fleet will be increased from 6,000 to 10,000; 5,000 jobs will be created; and the organisation will be separated from Royal Mail Letters, *establishing its own network of 150 collection and delivery centres.*

The launch of Parcelforce yesterday *is the culmination of* more than three years' planning.



It began in 1986 when the Post Office board set up separate management teams, each with its own managing director, for counters, letters, and parcels.

"This gave us a greater focus on the specialised needs of our customers in the distribution market," says Nelson, who joined the organisation from *DHL, the private distributor.*

Work began to put together an operational structure and a *range of services that would* better meet the needs of the customers for whom it distributes some 200m parcels a year.

The local post office could still deal with granny's parcel, but handling the bulk despatches and deliveries of commercial, contract customers needed a dedicated, streamlined network.

"It is vital that we are sensitive to their commercial needs, to the increasing demand for *speed of delivery and competitive pricing,"* says Nelson.

Parcelforce made a £30m investment in 1988 in a new distribution network – Super Service – with 11 regional hubs and 75 satellite depots linked by a central computer. With its own fleet of 1,200 vehicles and 1,500 staff, the operation was introduced to *meet the demand of business* customers, such as mail order houses, for a two-day delivery service, *now branded* Parcelforce 48.

Last year a next-day delivery service to 95 per cent of UK addresses, Parcelforce 24, was added. Customers were guaranteed their money back if delivery was late, and free insurance cover was provided against loss or damage.

Customer care units were *established at 19 locations* throughout the country; computer tracking *and tracing* systems were set up to enable clients to locate a consignment anywhere along its route.

Datapost, the express service for goods and *documents* launched in 1970, was improved, with the rationalisation of its distribution network from more than 500,000 miles *to 90,000. It is the leader* in a market sector now worth £500m.

International services were also increasingly geared towards the expected expansion in European traffic after 1992. It has been estimated that the world market for all air cargo is currently worth £11bn, and it is forecast to grow to £35bn by 1995.

Parcelforce now delivers anything from documents to manufacturing equipment to more than 200 countries, using chartered and scheduled flights. To strengthen its international network, it signed a *partnership agreement last* year with Unipost, the company established by the postal authorities of 21 countries to co-ordinate worldwide express distribution.

From the moment this market-driven expansion and refinement of its services began, Newell and Sorrell also started on the task of creating *a visual identity that would* reflect the organisation's commercial aspirations.

Key members of staff and the trade unions, and some customers, were *brought* into group discussions at each stage of the design process.

"We wanted a confident look; the look of a company that was *clearly* standing on its own two feet," says Sorrell. "But we did not want to make a unilateral declaration of independence from the Post Office. While positioning the organisation as different from the rest of the Post Office, we needed to retain that heritage – and the goodwill and integrity that comes with it – in the design."

Parcelforce will gradually assume its new colours over *the next year.* Much of the cost will be met from the normal "replacement and refurbishment" budget together with a "tiny proportion" of the new £80m investment.

A £2.5m national television campaign, devised by J Walter Thompson, will run from now until the end of March. It is being supported by national and trade press advertising and by a large scale poster campaign.

A £300,000 direct marketing campaign, planned by Ogilvy & Mather Direct, will target nearly 200,000 businessmen and promotional material will *be displayed* at 20,000 post offices.

Accidents are happening all the time

Christina Lamb points out the importance of contingency planning against natural and man-made disasters

As both Perrier and BP can testify, accidents happen all the time. In the wake of the large number of serious disasters over the *past few* years, risk management strategy is becoming big business. Many people were killed and much property damaged in catastrophes such as Bhopal, Piper Alpha, Zeebrugge and the Clapham rail disaster, while oil spills have caused considerable eco*logical damage.*

Exxon has spent millions of dollars cleaning up an oil spill on the Alaskan coastline, from which the environment may never recover. Other incidents such as cracks in aircraft and contamination of food products have received less publicity but made companies equally aware of the need to develop disaster and crisis management plans to maintain long-term viability.

Over 60 per cent of sites that suffer an incident cease operating. In the case of Bhopal, the world's worst industrial disaster in which 3,300 people died *after a gas leak,* the site has been permanently closed and Union Carbide has agreed to pay £270m in compensation. As a result of the Clapham and Purley rail crashes, London Transport must put in a capital injection of £300m to comply with Health and Safety Executive recommendations.

Writing in the European Management Journal, Sue Braithwaite, director of the Create consultancy, points out that apart from the obvious damage and injury, such accidents have knock-on effects which *may have greater implications for* the companies involved.

Often business stops completely while inquiries are being carried out; repairs to the damage put up operating costs, requiring an injection of working capital, causing loss in profit and market share and using valuable man-hours. Share prices fall and the company may be exposed to takeovers or miss crucial opportunities and perhaps not survive the adverse publicity.

As companies have increased in size, management of risks has become more complex. As some risks have disappeared new ones have developed. Braithwaite argues that small incidents happen every day; what makes one unimportant and turns others into a crisis is deficiencies in risk management.

She says companies should not only tighten up controls by looking at *all areas of potential risks* – from vetting of employees, particularly temporary staff, to office layout which could prove a safety hazard – but also have disaster plans ready which should enable them to cope in a crisis with minimum extra cost and bad publicity.

Man-made or natural disasters are obvious dangers but risk management should also encompass more hidden risks such as fraud and embezzlement which can be taking place for a long time in a company before being detected.

Analysts estimate that as much as £14m goes astray each day and a report released yesterday by Coopers & Lybrand Deloitte on 80 top UK companies found that 12 per cent had suffered significant fraud within the past three years.

The Metropolitan and City of London fraud squads recently calculated that more than £4bn was at risk on frauds they dealt with.

Fraud can take various forms – from theft of tangible assets, theft of information (particularly through computer hacking), fraudulent purchases often through forgery, collusion and, most complicated, management over-ride of control systems.

Frauds often arise because of fundamental organisational and personnel problems. Disgruntled employees often justify criminal actions with the plea that management does not understand them.

Fifty two per cent of company executives contacted by Coopers & Lybrand Deloitte believe their controls are not effective enough against potential fraud. More than half had no formal contingency plan to put into action should fraud be suspected while more than a third had not evaluated their company's risk of exposure to fraud.

According to new auditing guidelines* to be published tomorrow on "auditors' responsibility in relation to fraud", management is responsible for prevention of fraud and has primary responsibility for its detection. At present, although auditors frequently uncover accounting irregularities, few frauds are uncovered through audits.

The new guidelines suggest audits can play a more positive role in risk management, *by acting as a* deterrent, and be designed so as to give "the auditor reasonable expectation of detecting any material mis-statement in accounts resulting from fraud or other irregularities".

Cooper & Lybrand Deloitte says its survey *"suggests the need for a* strong control environment" in which audits can play a positive role by identifying weaknesses which represent potential fraud risks. It has set up a Fraud Limitation Unit, which includes a former head of the City Fraud Squad *to investigate suspected frauds and to* probe areas of possible vulnerability and advise on risk management.

One UK-based company specialising in the detection of fraud and advising on how to manage if it is detected and how to restructure risk management to prevent it, is Crisis Response which goes into companies "discreetly" at the request of the chairman or instigation of auditors. Often the solution involves considerable retraining of directors and managers to help them understand where they went wrong and how to manage any future crisis effectively.

The chairman, James Ashcroft, complains that risk control is dismissed by a large number of managers as a non-income bearing activity and therefore ignored, even though he believes fraud could be virtually eliminated if risk control were improved.

"No one likes to be told what they're doing wrong until they fall ill. But in the long-run companies could save much money and avoid a corporate crisis altogether by proper vetting of potential employees, the creation of controls and procedures which eliminate the risk of theft of materials and information and the establishment of a good management style with plenty of communication networks to nip any problems in the bud," he says.

"Better safe than sorry," may be an irritating adage but more stringent controls and a small investment in tightening up security in all areas of business could save a lot of headaches later.

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TECHNOLOGY

In the first of two articles about BAe's research and development, **David Fishlock** explains how the company integrates a score of technologies

Military imperatives set a flying pace

No British company spends more on research and technology than British Aerospace – about £600m last year compared with £400m for ICI. But the comparison should probably stop there, so different are their situations.

Chemicals industry R&D aims to find a new product, to treat heart disease for instance, or a new way of making a commodity such as ammonia. But a new aircraft, such as the European Fighter Aircraft, involves the integration of up to 20 technologies.

Even though any one of them may be less complex than a chemical process, a score of technologies under development simultaneously can be a nightmare, says Ivan Yates, BAe's *chief executive (engineering)* since 1986. "When you start putting an aeroplane into production you go through an appalling period."

This conjunction of so many technologies means it is not always obvious what is happening. A failure or accident, for example, can sometimes be explained in several ways.

BAe's products range in complexity from the £18m Tornado warplane with 500,000 components, a fifth of them unique to the aircraft, to the Rover car with a mere 50,000 parts.

Fashion is the dominant factor driving car technology, Yates says. Rover does not create new technology but picks up ideas in combustion, emission control, materials and so on, and adapts them. Much of its R&D has traditionally been done by suppliers. It aims to know how to make the complete vehicle, but only in order to be an informed customer in selecting which parts it will make and which it will buy.

Rover, says Yates, does development rather than research, a policy that has not changed since BAe took it over. Steps are being taken to put Rover in contact with BAe's technology base "but it will take time," *says* John Arnall, BAe's head of R&D.

Aircraft technology is driven by other imperatives, performance and safety particularly. Until the 1970s the innovations were made on military aircraft and the industry sought "spin-offs" in the civil sector. But a drive for greater efficiency has put the civil sector ahead in some important facets of technology, notably wing design, which is closer to the limits of physics in the Airbus than in military aircraft.

Nevertheless, military imperatives still set the pace in many areas of performance. Four examples of this, which Yates reckons will all be transferred to the civil sector, are:

fly-by-wire controls, in which the computer takes charge of engines, control surfaces, etc; lightweight carbon fibre structures, such as wings and potentially the entire fuselage; integrated digital avionics, in which all the aircraft's "black boxes" are part of a common management system; and inherent instability, or designing for the best performance without being constrained by the aircraft's stability.

All four feature in a demonstrator aircraft called the EAP, standing for experimental aircraft programme, a progenitor of the European Fighter Aircraft. The EAP – there is but one – is based at BAe's military aircraft headquarters at Warton, Lancashire. Mike Mansell, the division's director of technology, says "it's so unstable, you can't fly it without computers."

A programme of high-agility test flights has demonstrated that the pilot can be "as rough as he likes," says Mansell. It *has also shown that all four* technologies, vital to the next generation of warplanes, will work in concert.

Inherent instability will give military aircraft an agility they cannot aspire to at present. But Yates believes the technology will spin off into civil aircraft, for instance in coaxing a faster and smoother response to sudden atmospheric disturbances, such as wind gusts, than any airline pilot could manage. "He'd respond too late and make things worse," Yates says. It could mean a better ride for the passenger and less stress for the airframe.

The team of 600 working for Mansell at Warton is expected to expand to 900 this year. Arnall says the company wants to use the well tried technology management practices of Warton – its biggest R&D activity – as a corporate standard.

It is misleading to think that BAe spends £600m a year on innovation. Yates reckons that only about £250m meets the widely used Frascati definition of R&D, which stipulates that there must be a significant degree of innovation. Of this £250m, about £80m comes from company profits and the balance from overheads and contract R&D.

Yates prefers to call much of the other £350m "defence engineering." It usually consists of testing for the Ministry of Defence, including flight testing not just of new systems but of subsequent modifications. Yates estimates that as little as 10 to 15 per cent of BAe's R&D for the ministry has an innovative content.

BAe also spends about £4.25m on research contracts with the universities. In 1961, the company responded to what it perceived as a wider trend to cut spending at the research end of the R&D spectrum by setting up a central laboratory, called the Sowerby Research Centre, at Filton near Bristol.

Several BAe business units work closely with Sowerby, not only contributing to its £14m *budget but also placing* research contracts with it, and using its scientific instruments for their own research. Sowerby is no ivory tower but an integral part of BAe technology. It has even produced its first commercial spin-off, a wholly owned BAe company specialising in lasers as manufacturing systems.

Each BAe business, including civil aircraft, military aircraft, weapons and electronic systems, Royal Ordnance and Rover, has a business plan which includes its spending on R&D. The Technical Policy Committee – composed of technical directors from the businesses, along with Yates – weighs whether the plans allocate enough to technology to meet commercial objectives, as well as analysing interaction between the concerns to form a corporate over-view of BAe technology.

The committee asks such questions as whether a business can afford – or can afford *not* – to invest in a key technology.

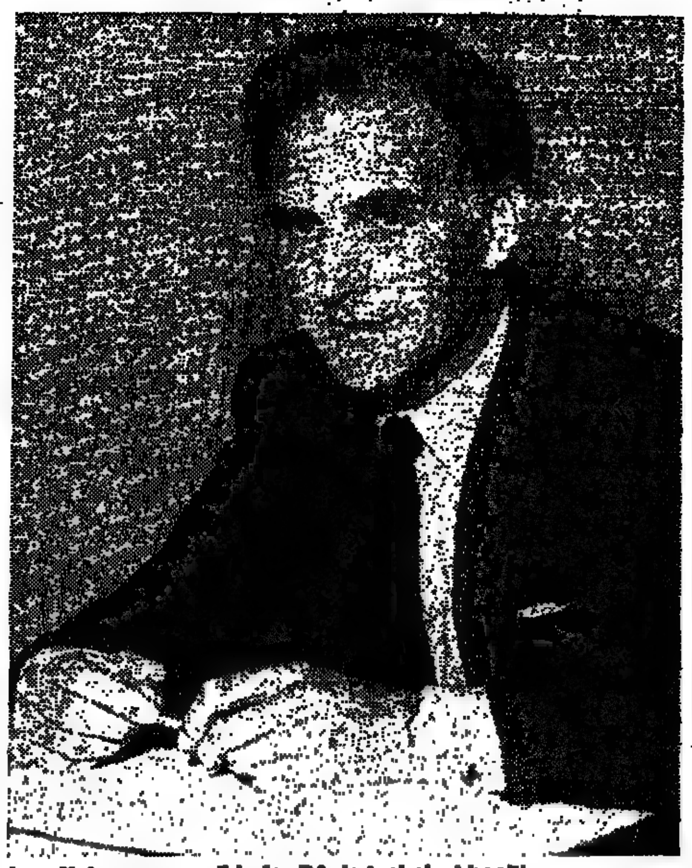
The plans then go into the chief executive review, where Yates sits as R&D champion. Such a technical appraisal has been made by the aircraft side of the company for a decade but has only recently become a corporate matter. For Rover, it has been raising such issues as the possible use of BAe's carbon-fibre component technology, and its understanding of the man-machine *interface* for future car design.

Arnall also studies the plans to see whether the company is leaving technology gaps. Should he find any, it falls to Yates to fill them. Since Yates has no "pot of gold" of his own, he must do this by twisting the arms of fellow directors.

Yates's constant worry is that Britain is not spending enough on aerospace technology to maintain its international standing. Where BAe differs from, say, ICI is that it has always been able to draw heavily on the world aerospace community because the UK has contributed generously to its R&D base, both through its companies and through national laboratories such as the Royal Aerospace Establishment, Farnborough.

But Government funding is steadily falling, he says. "I'm concerned that other countries are continuing to fund their aerospace industries as a matter of national strategy. Our Government is pulling out."

The second piece on BAe's approach to R&D, focusing on central research, will appear next week.



Ivan Yates: responsible for BAe's technical health

Computer-assisted translation on an ocean-going scale

A 600,000-page translation job for the Canadian navy has led a Moncton-based company to "industrialise what was basically a cottage industry," according to its president.

Ron Fournier created Lexi-tech in August 1988 to handle the English-French translation required by the navy's C$6.3bn (£3.1bn) frigate programme. Formerly vice president of Saint John Shipbuilding, lead partner in the frigate consortium, Fournier had found that a translation house could only promise an output of 1,500 words per day from each of its translators. At that rate the work would have taken a team of 30 more than 10 years.

His company, which has 27 translators, can handle the C$22m job in three years. It is also seeking other work in Canada – where he says the private sector translation market is worth between C$10m and C$20 a year – as well as considering ventures in Europe. In both regions, technical language translation will account for one third of the market, he says.

What Lexi-tech does in terms of translation is not new. Victor Loewen, a council member of the Association of Translators and Interpreters of Ontario, says computer-assisted translation of technical language is well developed. Technical manuals use a vocabulary of rigorously defined terms that help it escape the confusion of meaning found in everyday speech.

What Lexi-tech does is translation and electronic publishing on a large scale. English text is optically scanned into the system, then aligned on the lefthand side of a page. Using translation software from LOGOS Canada, of Montreal, the computer generates a first draft of the French text, which is then aligned by Lexi-tech software on the righthand side. The text is then edited by translators and revisers.

The equipment can do a similar job for graphics, scanning diagrams as small as a postage stamp or as large as a table top and setting them up for translating the labels.

When the company started the frigate contract, the computer did only 45 per cent of the work. Now, with the translation software expanded to 150,000 terms, the computer does 75 to 80 per cent, Fournier says. The increase in productivity means the company's translators are capable of handling 2,500 words a days, while revisers, who scan the final text, cover 10,000 words a day.

The company's combination of high-volume capability and electronic publishing proved attractive to the Canadian subsidiary of Digital Equipment. Digital, supplier of some of Lexi-tech's computer hardware, has begun to give it contracts to translate user guides.

But the type of English that lends itself to computer-assisted translation remains limited. For example, GigiText Translation Systems failed in its attempt to translate Saskatchewan's provincial statutes into French. The government in Regina invested C$4m in the company before pulling out last May.

Fournier says: "Taking machine translation as it is today, asking it to do legal text is like asking it to do Shakespeare: you'll get garbage."

Loewen reckons computer-assisted translation of legal language may still be 10 years away. He expects the next breakthrough to be in software that can carry out a semantic analysis of the text. "The computer will actually follow a train of thought," he says.

Michael Redmond

BT takes optical fibre to the doorstep

Imagine a world in which cable television, hi-fi radio and access to information databases are all available over your telephone line.

For many people in Bishop's Stortford, Hertfordshire, this scenario is rapidly becoming a reality as British Telecom (BT) begins one of the most advanced network trials in the world. Bishop's Stortford has been chosen as the site of a two-year investigation of the feasibility of taking optical fibre technology right up to the customer's door.

The high capacity of optical fibre – which carries data in light pulses rather than the slower electrical signals – gives it the potential to deliver not only telephone calls but also information-intensive services such as cable television. However, the low level of demand for the components in optical fibre systems has so far made them an expensive replacement for the existing copper connections.

Through the Bishop's Stortford trial, BT hopes to find ways of overcoming this problem. About 500 customers, including residents and small businesses, will take part in the multi-million pound project. Each will be linked to the local telephone exchange over an optical fibre network.

Two basic approaches are to be tried:

- The broadband integrated distributed star (Bids) involves piping services to electronic equipment in a roadside cabinet, from which optical connections run – in a star formation – to nearby homes.
- The alternative, telephony over a passive optical network (TPON), does not need a roadside cabinet because the group being served is small enough to obviate the need for active electronics.

This system uses a tree-and-branch network to connect up to 32 homes to a single fibre from the exchange. The advantage is that a substantial base of customers – initially taking a telephone-only service – can be built up at a reasonable cost.

Once a demand for additional, more advanced services is perceived, these can be provided over the same fibres, using other wavelengths or "colours" of light. The humble telephone line then opens the door to a host of information and entertainment services.

For instance, 30 additional television channels could be offered, without the inconvenience of extra cabling or satellite dishes. Films could be selected from a remote video library and home shopping and home banking would be possible. And businesses would be able to take advantage of the information services provided by BT's nascent integrated services digital network.

Robert Palmer

TECHNOLOGY MARKET

FT LAW REPORTS

Non-resident plaintiffs must secure costs

BERKELEY ADMINISTRATION INCORPORATED AND OTHERS v ARDEN C McCLELLAND AND OTHERS

Court of Appeal (Lord Justice Parker, Lord Justice Staughton and Lord Justice Russell): February 13 1990

SECURITY FOR costs rules applicable to non-resident plaintiffs do not discriminate on grounds of nationality contrary to EC law though they may affect more foreign than UK nationals, in that the jurisdiction to order security is applied objectively to all non-resident plaintiffs irrespective of nationality to avoid problems in enforcing costs orders.

The Court of Appeal so held when allowing an appeal by the defendants, Arden C McClelland and others, from a decision of Mr Piers Ashworth QC sitting as a deputy Queen's Bench judge, refusing to order security for costs against the plaintiffs, Berkeley Administration Incorporated and others.

Order 23 rule 1 of the Rules of the Supreme Court provides: "Where . . . it appears to the court – (a) that the plaintiff is ordinarily out of the jurisdiction . . . then if . . . the court thinks it just to do so, it may order the plaintiff to give such security for the defendant's costs of the action . . . as it thinks just."

LORD JUSTICE PARKER said that the plaintiff companies were incorporated in Panama, the British Virgin Islands and France, and were ordinarily resident outside the jurisdiction.

The defendants applied under RSC Order 23 rule 1 for security for their costs in the action.

The plaintiffs contended that the deputy judge had no jurisdiction to order security for costs, on the ground that Order 23 rule 1 offended against article 7 of the Treaty of Rome.

He concluded that as a matter of discretion he would have made an order for £150,000 ($252,000) security, but he accepted the contention that he was precluded from doing so by article 7. Article 7 provided that "any discrimination on grounds of nationality shall be prohibited."

On the face of it there was no conflict whatever between Order 23 rule 1 and article 7.

Order 23 rule 1 was based on residence outside the jurisdiction. It applied in respect of all persons resident outside the jurisdiction irrespective of nationality. It had on its face nothing whatsoever to do with nationality.

However, it was contended and the deputy judge accepted, that the rule offended against article 7 on the basis that it provided for "covert" discrimination on grounds of nationality, because it would expose more foreign than British nationals to the security jurisdiction.

In *Landi den Hartog [1976] 2 CMLR 393,403* Judge Rubin sitting as a deputy Chancery judge said Order 23 rule 1 did not conflict with article 7. He said "Order 23 is . . . only concerned with a plaintiff, whatever his nationality, resident outside the jurisdiction."

In *Compagnie Francaise de Television [1981] FSR 306* Mr Justice Whitford said that the whole basis of the Order "is to cope with those cases where you are dealing with persons of any nationality who are not resident within the jurisdiction."

In *Porzelack [1987] 1 WLR 420* the Vice-Chancellor proceeded on the basis that those decisions were correct, though he dismissed the application for security as a matter of discretion.

In *De Bry v Fitzgerald, CA November 1 1988* the Master of the Rolls said that if an order for costs was likely to be unenforceable against a plaintiff or enforceable only by a significant expenditure of time and money "by reason of the way in which he orders his affairs, including where he chooses to live or to keep his assets," the defendant should be entitled to security.

He said: "On this footing the discrimination is not based on nationality or residence, but *upon the need to administer* justice effectively."

In *Walt Wilhelm [1979] ECR 1* the European Court ruled that article 7 was not concerned with disparities in treatment resulting from divergences between the laws of member states, as long as they "affect all persons subject to them, in accordance with objective criteria and without regard to their nationality."

On the basis of that ruling, Order 23 rule 1 did not offend against article 7.

All persons suing in English courts were subject to the rules of procedure of those courts irrespective of nationality. Order 23 applied the objective criterion of residence and allowed an order for security to be made, if it would be just in the circumstances.

It applied where the plaintiff resided outside the jurisdiction, no matter what was his nationality.

If jurisdiction was conferred by that objective standard, the discretion equally would be exercised without regard to nationality.

In *Boussac [1980] ECR 3427* the European Court held that article 7 prohibited "not only overt discrimination by reason of nationality, but also all covert forms of discrimination which . . . lead to the same result."

Since, under Order 23, all persons who selected residence within the jurisdiction irrespective of nationality were treated alike, and all persons who selected residence outside the jurisdiction irrespective of nationality were treated alike, the case did not support the argument that the rule, even covertly, discriminated on grounds of nationality.

In the absence of binding authority it was impossible to hold that Order 23 discriminated on grounds of nationality when it was expressly based on residence. There was no such binding authority in the European cases and the *English cases were all to the contrary.*

Accordingly, the deputy judge erred in holding that article 7 prevented him from making an order for security.

The case came within the Master of the Rolls's words in *De Bry*. By reason of the way in which the plaintiffs chose to order their affairs, where they chose to live and where they chose to keep their assets, any order for costs against them would be likely to be enforceable only by a significant expenditure of time and money.

The appeal was allowed and an order made for £150,000 security.

LORD JUSTICE STAUGHTON agreeing but for different reasons, said that provisions directed at those not ordinarily resident in the UK were tantamount in their practical effect to provisions directed at nationals of other countries.

However, a plaintiff's residence was in the nature of things likely to create some difficulty in enforcing an order for costs. In general it was objectively justifiable to provide a discretion to order security where the plaintiff was ordinarily resident outside the jurisdiction.

Discrimination in EC law and modern colloquial English meant different treatment which was not objectively justified. There was no discrimination in Order 23 rule 1.

LORD JUSTICE RUSSELL also agreeing, said that if Order 23 affected more foreign than English nationals, that was not because of discrimination based on nationality. It was based on residence. Whether the unsuccessful plaintiff was English or foreign, his residence abroad could create problems of enforcement as to costs, and Order 23 provided a procedural safeguard which, subject to the court's overriding discretion, might be available to a defendant sued in English courts.

Nationality and residence were not interchangeable concepts. Order 23 was concerned with residence irrespective of nationality. Article 7 was concerned with nationality irrespective of residence.

For the plaintiffs: Steven Gee (Beynon & Co). For the defendants: Geoffrey Hobbs (Herbert Smith).

Rachel Davies
Barrister

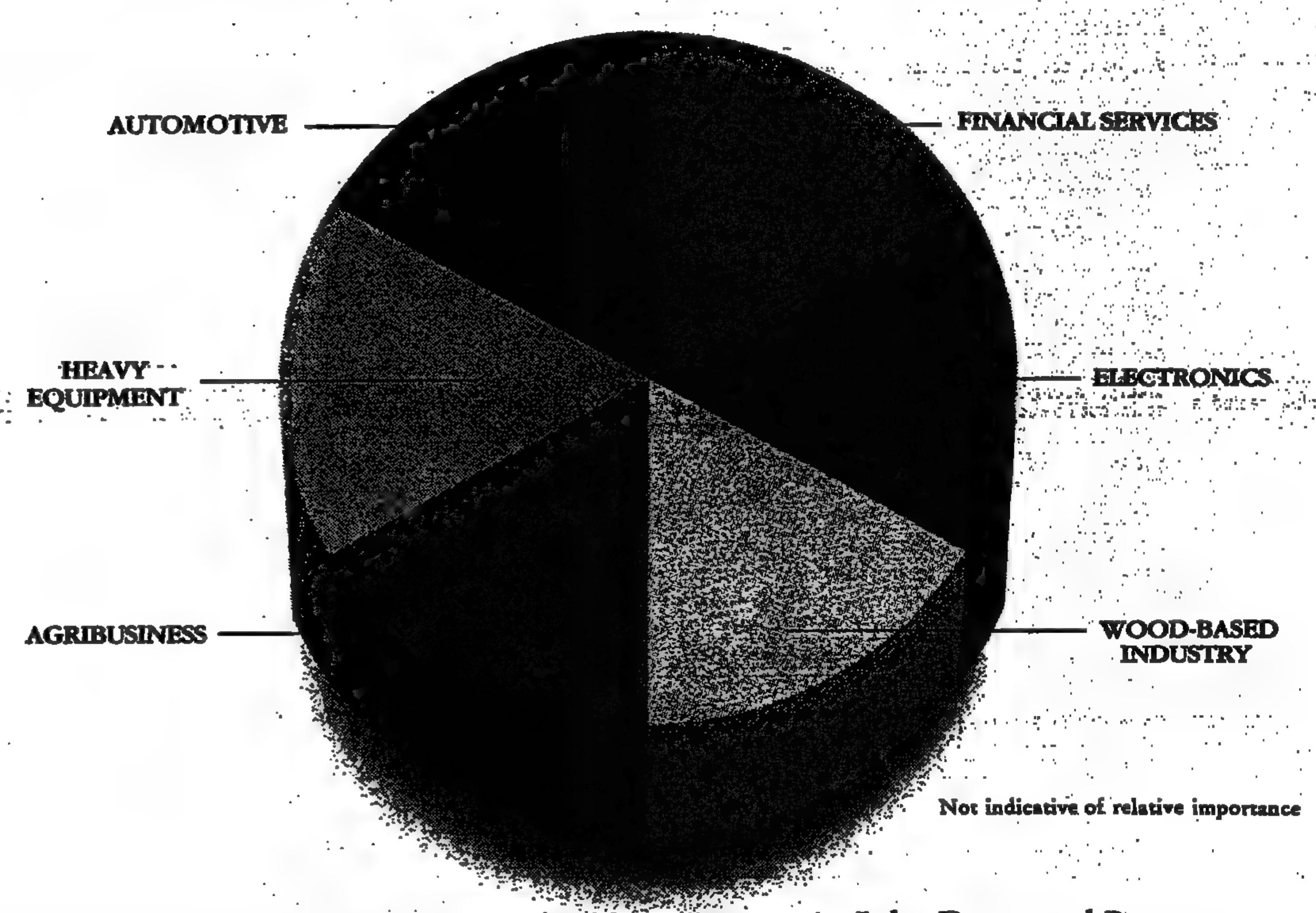
MEET ONE OF THE FORCES BEHIND INDONESIA'S ECONOMIC GROWTH

A short report on Astra International

Formed 33 years ago the Astra Group has made an important contribution to the economic growth of the world's fifth largest nation - Indonesia.

Astra's products and services are diversified and internationally marketed.

In 1989, total sales were in excess of US$ 1.5 billion with exports accounting for about 18%.

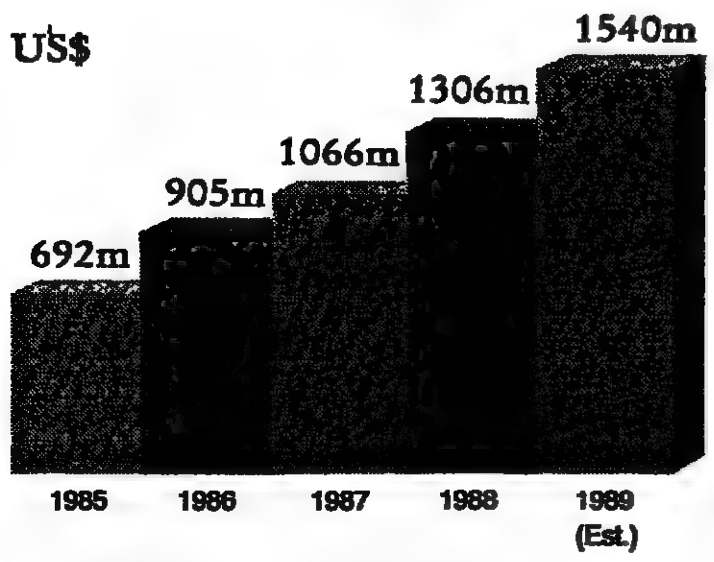


ASTRA'S INTERNATIONAL GROWTH

The Indonesian Government encourages non-oil exports; Astra has a growing involvement in important markets around the world.

Three of Astra's biggest export products are rubber, plywood and automotive components. Some examples of export activities : Astra motorcycles are shipped to China, Greece and the Middle East; Astra automotive components are sold to Malaysia and Thailand. The Toyota Kijang was the first Indonesian manufactured motor vehicle ever to be exported.

AGGREGATE SALES OF THE ASTRA GROUP COMPANIES
(excl. Intergroup sales)



(For this graph, figures have been converted from Indonesian Rupiah to US Dollars, based on the average Bank Indonesia middle rate of exchange for each calendar year).

YOU'RE KNOWN BY THE COMPANY YOU KEEP

Astra works with Toyota, Daihatsu, BMW, Peugeot, Nissan Diesel and Honda to manufacture, assemble and distribute a wide range of vehicles in Indonesia.

Astra also produces and markets heavy construction equipment and machinery, working with well known partners such as Komatsu, John Deere and Bomag.

In the electronics and information processing business, Astra's longtime partners are Fuji Xerox and Digital Equipment Corporation.

In 1989, International Finance Corporation, the World Bank affiliate, selected Astra as its first investment in an Indonesian private sector company.

From its beginnings as a small trading company in 1957, Astra now employs 29,000 people and plays a significant role in Indonesia's development.

ASTRA

Working for Indonesia

ARTS

Carol Vaness

Faust

METROPOLITAN OPERA, NEW YORK

Not everything that the Met does is bad, I wrote recently, but there was little to praise in the new presentation of Gounod's *Faust*. The opera, which has been missing from the Met (once nicknamed the Faustspielhaus) for twelve seasons, has both its champions and its detractors. The former find little comfort here. Poor old *Faust*. Melba, Björling, Plançon, where are you?

The producer is Harold Prince, the designer Rolf Langenfuss – the team that perpetrated the City Opera's *Don Giovanni* last season. Their set, brown and grey, is a Gaudi-Gothic huddle of church, dwelling and tavern, vaguely troglodytic, built on a turntable, against a menacing Expressionist sky. It is not a set that singers can move about in freely and confidently, and not a set for singing to shine from. Magic is in short supply: Faust achieves his transformation from aged philosopher to buoyant youth by going behind a curtain to change. At the close, Marguerite, like a Carmelite, climbs slowly to a vertiginous scaffold, where an executioner with axe poised is waiting. Charles Dutoit's conducting, all upbeats, was energetic but heavily and insistently so, without grace and charm. And the principals were disappointing.

Carol Vaness's rich soprano never seemed to break free and come ringing out into the house. She gave a careful, rather dull, unassured performance – the Jewel Song just slipped by – and seemed somewhat embarrassed at being so much bigger than her tenor, Neil Shicoff. She came into her own with the (oft-omitted) air "Il ne revient pas" (Gounod's version of "Gretchen am Spinnrade;" but in this production Marguerite did her spinning during the "Roi de Thulé"), which lay most suitably for her "covered" voice. The notes of Shicoff's Faust were there, but there was little romance and nothing particularly interesting in anything he did. James Morris sang Mephistopheles in a fierce, heavy, snarling way, without elegance; and he is a bit bulky for the capers Prince assigned him.

The Siebel was Dolores Ziegler, making her Met debut: charming presence, charming musical manners, but a shortage of real, solid notes. I liked the baritone, Brian Schexnayder, best: not "Even bravest heart," which lacked smoothness, but the Death of Valentine, where, at last, something dramatic was happening. The bright, buoyant Soldier's Chorus was treated, with easy irony, as the painful return of mangled, crippled war victims – and then enlivened with a catfight between vivandieres and village maidens. The Walpurgisnacht is omitted; Acts 3, 4, and 5 are played without an interval. The Met has revived its *Trovatore*, in which Susan Dunn made her house debut. I couldn't face seeing that dreary, wrong-headed show again, but I heard Dunn a little earlier in a concert *Vêpres siciliennes* – or, rather, *Vespri siciliani* – that Eve Queler conducted in Carnegie Hall, and much admired her unforced, well-controlled soprano (in the awkwardly written role) and her imaginative musicianship. Robert Brubaker (replaced after Act 2 by Allan Glassman), Bruson and Plishka were the other principals.

Another concert performance of note has been Rossini's *Gazza ladra*, put on in Town Hall by Pala Opera. The piece was unheard in New York since a 1954 Town Hall performance, and unstaged for far longer. There were no exceptional voices, but the score had been lovingly and stylishly prepared, and the new critical edition was performed uncut (except in recitatives – which are not by Rossini). What a beautiful and well-composed opera it is, in its Mozartian mingling of comic and serious.

Andrew Porter

TELEVISION

A voice for the vanquished

People worry endlessly about the supposedly inimical effects of television. Scarcely a week goes by without a committee or a pressure group or simply an anxious professor publishing a report which holds television responsible for one of mankind's immemorial ills. If it isn't violence (you know how gentle people were before the invention of television: there were no wars, no murders, no rapes, and Cain would never have laid a finger on Abel had he not been imitating what he had just seen on *Crimewatch*) then it is the rapid deterioration of the morals of our children. Yet astonishingly little is said about the benevolent effects of television.

The thought came to me as I sat in the semi-darkness of the Bun Run Shaw viewing room at the British Academy of Film and Television Arts. Seven of us were present, forming the jury for the Flaherty Documentary Prize, one of the annual BAFTA Awards. Sitting there in the heart of London, just yards from Piccadilly Circus, we were repeatedly taken out of ourselves and, in the way that everybody knows so well nowadays after watching so many powerful programmes, transported to distant places and introduced to very foreign events.

We went first to the British dominions during the 1940s and '50s to hear about *The Lost Children Of The Empire*, an astounding story from Granada of orphans and illegitimate children, from Barnardo's Homes and Catholic orphanages, who were shipped out willy nilly to Canada, Rhodesia and Australia to work on farms and left there to grow up with no knowledge of their antecedents.

Some, of course, prospered. We followed one as he drove his Rolls Royce back through the bush to discover the now derelict farm where he had lived. But it was not his story which seemed so impressive: history has always been an account of events as told by the winners and there has never been any difficulty in discovering what happened to the world's Rolls Royce drivers.

Much more fascinating and unusual were the stories of the less successful and less fortunate: the man who stood beside the railway track in the vast desolation of the Canadian prairie and recalled being left there as a 13-year-old, desperate for the advice of his sister from whom he had been separated. And the man who calmly described the treatment which, as a boy, he received (greatly to his surprise) from the priest who ran his school: not only a punch in the face which floored him, but a sexual assault with a steel-tipped walking stick.

It would be absurd to suggest that this programme alone could prevent the transportation of orphans in the future. Only a fraction of the public will have seen it and among those who did there might be some who still consider this sort of treatment the lesser of two evils. Yet the important point is that whereas in the past "the authorities" could continue blithely with such activities knowing that the public would only learn about the results years later in a piecemeal and desultory way, today millions can be informed quickly and simultaneously. Moreover, although print journalism has certainly been influential in such matters, print can never quite convey the tone of voice or the look in the eye.

Nowhere was this more powerfully apparent than in Yorkshire Television's "First Tuesday" production *Four Hours In My Lai*. Decades on, we may all think we know what the Americans did at My Lai, but those who have *not seen this programme do* not really know. Not only does it get very close to explaining *why* the atrocity occurred (showing the training of recruits at an American army base with the Sergeant screaming "What is the spirit of the bayonet?" and the recruits shrieking "Kill, kill, kill, with cold blue steel!" then explaining the frustration of booby trap deaths from an unseen enemy in Vietnam) but, once again, it tells not only the victors' story, but that of the vanquished, too.

Perhaps it would still be possible today for an American president to send off the country's young men to make undeclared war against a small country on the other side of the world, but his actions would surely be resisted from the beginning by many more, and with far greater vigour, than ever resisted the draft to Vietnam. Once television has enabled you to look into the eyes of a Vietnamese woman as she tells of seeing her 14-year-old sister raped and then shot by an American, of finding her house burned down by Americans, and then discovering her mother burned to death by Americans still holding in her arms her 7-month-old son, also burned to death, it must surely be that much more difficult to march off to war singing gung-ho war songs about killing Gooks.

It might, perhaps, be argued that both these programmes document past events, so that any influence they may have is pretty academic (an arguable point at best). But the other two contestants for the prize were both concerned with events which were happening as the programmes were made. In Central Television's *Cambodia – Year 10* John Pilger returned to Phnom Penh for an update on his original programme *Cambodia – Year Zero* and made it pretty clear that the response of Western governments via aid programmes – or the lack of them – was making the return of Pol Pot more rather than less likely.

That may turn out to be all too appallingly prescient, though the point to be made is that the very existence of this programme puts weight into the opposite balance. And with the BBC's "Everyman" programme *Romania: State Of Fear* we came to an entry which, though it was dealing with current affairs when *it was made, had subsequently been* dramatically overtaken by events.

Using tourist cameras John Blake managed to show the de-Hungarianisation of Romanian villages, the concrete manifestation of the Ceausescus' megalomania in the building of their vast and ghastly "palace," and – via borrowed footage – the extraordinary tenacity with which ethnic groups in country areas hang onto the outward symbols of their differences.

It would be silly to suggest that the showing of this programme in Britain could have contributed in more than the remotest manner to the determination of the Romanians, shortly afterwards, to rise up and overthrow their dictators. And yet it was impossible, *sitting in that viewing room, to* avoid the feeling that television has changed forever the relationship between ruler and ruled in all parts of the developed world. Even as late as the age of cinema we saw – via the newsreels – just one version of events, almost always jingoistic. Television has changed that utterly.

When the Czech people moved against their totalitarian regime in December William Shawcross wrote in *The Observer*: "Most of today's East European revolutionaries realise that to a certain extent their own revolutions are part of the global information revolution. There are dishes to be seen all over Prague; more and more people there as elsewhere in Eastern Europe watch satellite television, including Sky. Less and less in recent years have governments been able to control information."

There have always been violent elements in society and it may be that today some small fraction of one per cent of the population is reinforced in its violent disposition by what is shown on television. But when the history of the 20th century is written, the influence of television in providing people with patterns for better lives will surely be seen as vastly more significant. In the age of television you would have great difficulty in organising the charge of the Light Brigade because mindless obedience to authority becomes increasingly difficult to inculcate as the public receives more information.

Christopher Dunkley

Scene from John Pilger's 'Cambodia – Year 10'

Takács Quartet

BARBICAN HALL

The Barbican Hall is, in acoustical terms, a less than ideally suitable home for chamber music. It would, however, take a far more incommodious environment to dim the radiance of the Takács Quartet on their current form. On Monday night the glow of their playing seemed triumphantly to survive, rise above, the acoustical murk. One might suggest that (since the Takács are currently the Barbican's resident quartet) for future appearances some sort of enclosing back-screen could be provided to foster an even greater sense of immediacy and aural focus – except that, in the last resort, the generosity and overflowing musicality of the ensemble probably make it unnecessary.

The opening work was Mozart's A major, K464; for reasons already given, it took some while to "tune in." By the time the Andante was reached, and its subtly sensual set of theme and variations unfolded with seamless flow and gently lilting rhythms, the listener's problems had been solved. The Bartók Third, which followed, showed how firmly this still-youthful group are fixed on steady development.

The last time they played the same work in London it was already a masterly study in muscular intensity, in passionate lyricism concentrated to a powerful essence, yet since then subordinate details have been rendered even more telling, enriched with long-range significance: the whole reading touched new depths.

The glory of the concert was, though, the Brahms B flat, Op. 67, after the interval. One could be forgiven for insisting, on this evidence, that Central European quartet-players come to this composer's chamber music with ready-made advantages – their traditions answer all Brahms's requirements for deep-toned warmth of sonority without permitting the ponderousness that sometimes creeps in further westwards.

The rightness of the Takács performance, which found its apogee in a slow movement sung out in glorious full voice, yet lightly and flexibly, rendered marginal all matters of hall and acoustics. I'd still prefer to hear this quartet in *the Wigmore, but I'll follow* them anywhere in London they choose to go.

Max Loppert

LSO Strauss

BARBICAN HALL

There are some musical works for which recordings have quite spoiled us. Not only do some excellent performances of Strauss's Four Last Songs exist on record; they all have the advantage that the soloist will not be drowned by the orchestra, as the poor singer so often is in a live concert.

At least the determined way in which Sharon Sweet took the platform at the Barbican on Sunday suggested that was not her idea of how events would turn out. And so it proved. *This young American* soprano, who has already fulfilled many major appearances in the heavy operatic repertoire, is gifted with a genuinely Straussian voice: it has the shining beauty, it has the amplitude and the ability to soar effortlessly up to top notes.

She has also been carefully schooled in how to maintain an even legato line, quietly where necessary. But that is where interpretation, as such, stops. Miss Sweet's speaking of the German words is primarily a business of getting the "d"s and "t"s in the right place, *while for the old-world grace* and poetic sensibility of the songs she seemed to entertain only the minimum feeling. Still, the singing was beautiful and at least we could hear her.

For the conductor almost the only requirement that matters in these songs is that he should tell the orchestra to play quietly, which Rafael Frühbeck de Burgos intermittently did. After the interval Strauss's *Alpine Symphony* was to make the very opposite demands. Noise and excess are the prime delights of this vastly overblown score and de Burgos led the London Symphony Orchestra in a thrusting and generally well played performance of it, with the extra brass.

To my mind it takes a true Strauss specialist, such as Kempe or Karajan, to derive from the work a musical statement of any intrinsic worth. That de Burgos did not succeed in doing so is unsurprising, given the proportion of the music that simply sounds derivative. The glorious climax that occurs on arrival at the Alpine summit may be an exception, but from there we can unfortunately look out and see Strauss's earlier successes lying rehashed before us.

Richard Fairman

Say Hallelujah

RIVERSIDE STUDIOS

"With blacks like that, who could accuse the whites of racism?" says a character in Jimi Rand's *Say Hallelujah*. This acute comedy, which is set in and behind a Caribbean grocer's shop in or near Basildon, gives a neat start to London's Black Theatre season. The family that keeps the shop is a cross-section of the complexity of British blacks today. The born-again religious wife Veronica takes from the shop for the church; her sex-hungry husband D'Coursey starts to grow adulterous; their black-African activist son Sebastian answers only to "Ulu;" and their glamourpuss daughter Yvonne is trained as an actress. Rand has spotted the comic potential in this without blunting its sharp edges.

The play relishes black diversity – even as it lampoons its extremes. It's a mini-spectrum of accent and dialect, from chattering Caribbean gossip to earnest African rhetoric, from EastEnder to Sloane. The play's most educated and seemingly affected character is the family's lodger Wentworth (Anthony Corriette): "What-ho, sounds like a smashing idea, what?" In the most heated exchange of dialectic about black culture in Britain, in the final scene, he blasts back against Sebastian's rebukes with a bristling tirade. A neighbour, Dorothy (Marsha Millar), applauds: "Carry on, Mister – you got a real sweet mouth." And, just as hard as Sebastian (Herbert Norville) is pursuing his African roots, sister Yvonne (Beejaye) proves able to produce affectation to match Wentworth's – when she wants.

Much of the strongest humour comes from the religious fervour of Veronica (Ellen Thomas), elegantly devout, and the spiv Rev Stephens (Baxil Otoin). Act One ends with a great set piece – the quasi-erotic spasms of Veronica's prayer, which finally has her heaving, then sighing ecstatically, on the floor; and Act Two soon launches into another, a hilarious prayer-meeting. But there's also all the variety afforded by the vamp Matilda (Janet Kay), the swaggart wide-eyed shoplifter Boy Blue (Paul McKenzie) and the confused, honest, impressionable, angry Penny (Josephine Melville). Each of them introduces a different strain to the play, but none of them is a one-dimensional "type." On Monday, they produced the evening's finest performances. Otoin's Reverend – a soft-shoe con-man preacher in a pale-grey suit and matching tie, glittering tie pin and ring, and multi-tone shoes – was especially fine. The four actors of D'Coursey's family not yet quite word-perfect, will surely learn to pace dialogue and big speeches with greater variety and force.

There's a lot going for *Say Hallelujah*. Almost too much. (It could become, without much effort a TV comedy series.) Rand is even prepared to bring in a strand of black lesbianism and a reference to a Black Sisters meeting. Yvonne, the most complex character, moves onto the sidelines during Act Two. But the play is already so lively that there's every likelihood it will grow neater, funnier and sharper with more performances. Jacqueline Gunn's basic set, a wittily grocery-laden corner shop seen from the inside, converts destiny into the family living room. Malcolm Frederick directed. *Say Hallelujah* runs till March 17.

Alastair Macaulay

ARTS GUIDE

February 23-March 1

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

A Little Night Music (Piccadilly). Fine revival by Ian Judge, imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

New York

Eddi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer gets from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly lessons her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's premier musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A growing-up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the drying hoods in a busy hairdressing establishment (988 9000).

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. Kabuki-za. Performances at 11am and 4.30pm. Of the three pieces in the matinee, the most famous is *Funa Benkei* (*Benkei in the Boat*), which is set on a kabuki version of a noh stage. The evening programme features a two-part dance pieces and a full-length drama, *Sannin Kichisa* (*Three Men Called Kichisa*), an amusing and action-packed genre piece about three bandits who all have the same name. One of them is a young pickpocket who disguises himself as a woman – a virtuoso performance by the versatile Kikugoro. Earphone guide in English (541 3131).

Bunraku. National Theatre. Performances at 11.30am, 3pm, 6pm. (265 7411). Each of the three programmes features a well-known love suicide drama from the 18th century. The first is by Chikamatsu Monzaemon, sometimes called the Shakespeare of Japan; the second is the story of the love between the daughter of an oil shop owner and one of the young clerks; in the third, the gloomy story is relieved by some virtuoso puppetry including a shamisen lesson and a dance for two monkeys. Earphone guide in English.

Noh. Tokyo Bunka Kaikan, small hall *Shakkyo* (The Stone Bridge): this popular play is based on an old Chinese legend and ends with a famous lion dance (Tues) (572 4311).

SALEROOM

Good day for Buffet

Second division Impressionist and 20th century pictures always had the reputation of being the dust cart after the Lord Mayor's show of the spectacular sales featuring Van Gogh, Renoir, Monet, Degas and the like. But they are now assuming serious importance, both as signals to the likely fortunes of the mega sales in May, which should establish record auction prices for both Van Gogh and Renoir, and in attracting buyers in their own right.

In New York on Monday both Sotheby's and Christie's had very successful auctions. Sotheby's totalled \$20.1m (£11.9m) with just 3 per cent unsold, while Christie's managed \$10.7m, (£6.3m), with the same bought in percentage. Top price at Sotheby's was the \$935,000 (555,000) paid for a Renoir preparatory sketch of a Spanish dancer with a top estimate of \$280,000, which went to Europe. "Scène de Rue" by Bernard Buffet went for \$797,500 (£471,000), a record for this artist, while a Vlaminck landscape "Les coteaux de Marly" realised \$632,000 (\$374,000) to a Japanese buyer. Another Renoir head of a young girl sold to Japan for \$484,000 (£286,000) and a Buffet, of a vase of Chrysanthemums, fetched the same sum.

It was certainly Bernard Buffet's day; at Christie's, where the four top prices were all paid for works by this modern master who is a particular favourite of the Japanese. The highest, and an auction record for Buffet until – Sotheby's made more in the afternoon – was the \$770,000 (£453,000) paid for a view of La Place Vendôme painted in 1962, way above its top estimate of \$180,000.

"Vases de roses" of 1964 made \$462,000; yet another canvas of roses in a vase painted a year later realised \$440,000, and the same sum secured more Buffet potted flowers. A snow scene by Vlaminck sold for \$297,000; a Utrillo Montmartre street scene, \$264,000; and a portrait of two girls by Massimo Campigli did well at \$242,000.

Antony Thorncroft

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Moscow must let go

WE ARE already able to come to some conclusions about the elections now taking place in the Soviet republics. The example of Lithuania shows that where the population is politically aroused, even a Communist Party with a popular leader, a good line in nationalist rhetoric and time to get its message across will lose to the public desire for revenge for past horrors, present inefficiencies and future uncertainties.

The example of Uzbekistan, where the Communist Party did "well", shows it doing so where a small part of the population is only now becoming aroused, and where the Party still has enough clout, or can stir up enough inertia, to ensure that one third of the seats had only one candidate. The safest voters for the Communists are the don't-care-yets.

This will mean that the likeliest outcome of the elections, which continue over the next four weeks, is a Communist Party further discredited and weakened, even less able to lead the restructuring of society, the role which Mr Mikhail Gorbachev continues to assign it. This, of course, makes the more urgent his quest for presidential powers, and why the Supreme Soviet vote to give him these powers was rammed home yesterday – surely among the quickest constitutional revolutions ever. He must create and consolidate an alternative focus of power to attempt to fill the vacuum which now threatens to engulf all.

Holding operation

If he can make the presidency into a holding operation with the allegiance of the armed and police forces and the higher apparat, he will be doing well. It is beyond him, however, to fill the political void: the Communist Party has blasted the landscape clean of any alternative possibility, and no such plant will grow on *Soviet* soil, that is, at the federal level. The vacuum is being filled from below, in the republics, by nationalism: it is the only ideology with any kind of pre-revolutionary roots and with any hope of popularity.

Western liberals, who hate nationalism, find all this alarming: some have taken to sounding almost regretful for the passing of the old regime, because it lets so many creatures crawl from under the Communist stone. That makes no sense: even where they are nasty, they would have surfaced eventually: and on closer examination, many are nice.

Full rights

Take Rukh, the Popular Front for the Ukraine. Conscious of its republic's legacy of racial tension and pogroms, particularly against the Jews, it has elected an executive of nationalities to guide its work, and to ensure full rights for all groups. The Baltic popular fronts resemble Czechoslovakia's Civic Forum: open, democratic and liberal (except towards the Russians – though even that is improving). To be sure, Azeri and Armenian nationalism is mutually murderous and Russian nationalism has a violent, racist and reactionary edge. But, benign, malign or with the potential for both, they share this feature: none can now be repressed without a series of (almost) unimaginable bloodbaths.

Mr Gorbachev thus has little choice: once he becomes supreme President of his vast land, he must set about making it less vast: he must de-imperialise. Already, the legislation going to the Congress of Peoples deputies in this session will give a right of secession through a referendum: he must build on that, for example with some mechanism like a constitutional convention, which would bring the new political forces round a table with the Communist Party to thrash out a framework for the orderly passing of power. Only then could they face up to the difficulties, as well as to potential, inherent in independence, and make reasonable choices.

President Gorbachev has no popular mandate: nor will his party have one at the end of next month. There is nothing special about the Communist Party: it is just as liable to be voted or demonstrated out by the people as the Polish or Czechoslovak parties were. Time to give the republics a proper mechanism for independence, before the Soviet people think they should follow the Romanian example, and shoot it out.

Wage inflation and the unions

THE RESILIENCE of wage inflation in Britain has become one of the most pressing economic problems facing Mrs Thatcher's Government. After a decade of industrial relations legislation, wages are once again rising uncomfortably fast.

There are still 1.6m British workers unemployed, yet the average earnings of those in work are increasing at 9.25 per cent a year, and unit wage costs are rising as the economy slows. The Government's hope of lowering the rate of unemployment at which wage inflation breaks out remains unfulfilled despite its labour market reforms.

This fundamental weakness in the British economy, disguised during the 1980s by high unemployment and a rapid rise in productivity in manufacturing, has led to calls for unions to cut wage claims. Mr Norman Willis, leader of the Trades Union Congress, last night responded by asking for a new form of co-operation between employers and unions in wage setting.

An article published yesterday in the National Institute for Economic and Social Research review suggests that employment legislation may have had little impact on this flaw in the economy, and could even have worsened it. The authors suggest the legislation has strengthened unions by forcing them to tighten their organisation and discipline.

Furthermore, moves towards plant-level bargaining and away from joint national agreements may have promoted wage inflation by increasing the strength of labour market "insiders."

These employees in unionised workplaces accepted higher wages in return for deals which raised productivity and cut employment within their company.

'Insider' power

The authors say the 1984 Trade Union Act, which introduced mandatory ballots before unions can call strikes, may work against wage restraint in times of prosperity. The trained and employed labour market "insiders" will gain confidence and be less cautious than union officials about threatening industrial action to force higher wages.

What is more, they say, the break-up of national agreements has failed to reduce wage pressures. Wage levels in regions outside the south-east have converged over the past decade, reducing the scope for regional variations. In addition, many employers have introduced devolved bargaining by product market rather than by region.

Constant gap

These are among the reasons why the "union mark-up" – the gap between wages in unionised and non-unionised companies – has remained constant during the past decade. The Government's legislation has not reduced either the wage gap between union members and non-unionists, or the prosperity gap between labour market "insiders" and the unemployed and unskilled.

The level of wage settlements for skilled and semi-skilled workers, and the concession of a shorter working week by companies including the Rover Group, suggest the strength of "insiders" is growing. Falling unemployment and rising skills shortages have reduced the pressure on them to concede productivity gains in return for higher wages.

The authors say employers recognising unions managed labour better during the 1980s because higher unemployment gave them greater freedom to do so, while product market crises gave them an incentive. They argue that legislation did not stimulate such changes, although it weakened unions which had previously relied on secondary action to resist them.

It would be wrong to underestimate the achievement of the Government's employment legislation over the past decade. By restoring the balance of power between employers and unions, it helped managers carry through many long-overdue changes in working practices. But the authors are right to highlight the continuing flaws in the British wage bargaining process.

If the Government is to remedy these weaknesses, it must find a way of persuading employers to bridge the gap between increasingly scarce and well-paid skilled workers and the large, neglected pool of unemployed and unskilled.

Michael Prowse reports on the new bulk purchasers of NHS health care

Buying on behalf of patients

"IT'S TREMENDOUSLY exciting trying to put a market in place," says Ms Penelope Rowlatt, an economist with National Economic Research Associates (Nera). Ms Rowlatt is one of a small army of consultants helping *district health authorities* to grapple with the economic implications of the Thatcher Government's health care reforms.

Like many economists involved with the reforms, she is convinced that new incentive mechanisms can greatly improve NHS performance. "If we get the structure right," she argues, "there is the potential for a far more efficient outcome." She believes the reforms, which require business-style contracts between health authorities and hospitals, will make choices about resource allocation "much more explicit."

This positive assessment of the reforms is echoed by some senior managers in the NHS. A year after the publication of the white paper Working for Patients, many believe the time for questioning the wisdom of the Government's approach is long past: they are concentrating instead on the practical challenge of implementation. Their optimism is reinforced by the relatively smooth passage (to date) of the NHS Bill in Parliament.

This is not to say that Mr Kenneth Clarke, the Health Secretary, is home and dry. The Bill is likely to receive a sterner test when it reaches the House of Lords. The British Medical Association remains adamantly opposed to the thrust of the reforms. "Nothing," says Dr John Marks, "has happened to convince us that these untested ideas will work." Ministers are also anxiously awaiting the outcome of a judicial review sought by a group of consultants led by Professor Harry Keen of Guy's Hospital. The clinicians are challenging the Government's right to spend public money on the reforms before they have gained Royal Assent.

A majority of doctors and nurses on the ground, moreover, almost certainly remains strongly opposed to the changes: for example, staff at Guy's – regarded by ministers as a leading contender for "self-governing" status – recently voted heavily against independence.

To some extent this clash of attitudes is inevitable. Economists and managers, especially those with private sector experience, are likely to take the efficiency of markets for granted. But doctors have been reared in a very different culture: an egalitarian public service in which promotion has hinged on clinical expertise rather than managerial skill or financial wizardry.

During most of the NHS's history, the medical profession has strongly influenced (if not dictated) the allocation of resources within the health budget. The funding of different specialities has reflected their prestige within the medical world as much as the needs of patients. The present reforms will accelerate the process, begun in the mid-1980s with the introduction of general management in the NHS, by which power is transferred from doctors to lay managers. The former can hardly be expected to welcome changes which may reduce their status to something like that of *skilled craftsmen* in industry.

Among analysts, enthusiasm about the reforms centres on the planned separation of the provision and purchase of care. At present, district health authorities run local hospitals and are directly responsible for the provision of care in their area. In future, the Government wants authorities to act increasingly as purchasers or commissioners of care which is to be provided by independently managed hospitals in either the public or private sector. In theory NHS hospitals will be funded only if they secure contracts for the provision of care from health authorities or other purchasers – such as general practitioners (GPs) holding their own budgets.

The separation of purchasing and provision will be clearest in the cases where local *hospitals opt* to become "self-governing" NHS trusts. Such hospitals will be run by a board of directors and have many freedoms, such as the right to retain financial surpluses and set their own pay and conditions for staff. They will be entirely separate from the management hierarchy of district and regional health authorities. However, few NHS hospitals are likely to become self-governing before the next general election. Even by the mid-1990s, the majority may remain under the direct management of districts. The separation of roles will be harder to achieve in such circumstances although it will be encouraged by making directly-managed units bid for contracts as though they were independent institutions.

Ms Helen Roberts, an analyst at the King's Fund Institute, argues that much hinges on the way districts adapt to their new responsibilities. "If they become effective purchasers of care, the reforms could prove quite useful. But if they cannot make the quantum leap from provision to purchasing, there will be few benefits."

Dr Sue Atkinson, director of public health in Lewisham and North Southwark, takes a similar line. "The crucial thing," she says, "is that the commissioning authorities have strong teeth. Otherwise, we will be left with a producer-led service and one which is not necessarily concerned with the health of the population."

It is easy to see why many analysts and public health specialists have high hopes. In the past, the managers of district authorities had to strike a balance between the demands of their provider units and those of health care consumers. In future, they will be allocated a budget and told to purchase whatever care – from whatever source – best serves the needs of their resident population. In theory this will necessitate both extensive epidemiological research and a rigorous evaluation of the quality of different forms of treatment.

This is an enticing vision. It could result in a radical reassessment of health care priorities. District purchasing authorities could decide to spend much less on high-tech acute surgery and plough resources instead into preventive medicine and community-based services for vulnerable groups. If purchasing authorities were to take sickness prevention really *seriously*, says Dr Atkinson, they might also concern themselves with the major social causes of poor health: inadequate housing, poor education and unemployment.

Reforms will accelerate the process, begun in the mid-1980s, by which power is transferred from doctors to lay managers

It is far from clear, however, that districts will become effective purchasers of care. The present Government is certain to frown on attempts by health authorities to address the social causes of ill health: in the past it has suppressed information demonstrating the link between health and social class. Skills relevant to health assessment and purchasing are also in chronically short supply.

There is a nationwide shortage of consultants in public health medicine, the key speciality for purchasers. Dr Alan Bussey, the Registrar of the Faculty of Public Health Medicine, reckons that an extra 350 or so posts are required in England – an increase of some 80 per cent. At present many districts do not possess a single public health consultant; in others the director of public health is single-handed. Almost all districts are short of support staff, such as administrators, statisticians and health economists. None has any significant experience of commercial purchasing.

Districts' difficulties will be compounded by their uneasy relationship with family doctors. It is GPs rather than district managers who actually refer patients to hospitals and thus make many of the purchasing decisions. The authority's role is to pay the bills generated by the GPs. In a rational system, GPs would either be employees of health authorities or directly answerable to them. It would then be possible to ensure that "global" decisions on health care needs and priorities were reflected in the actions of individual GPs.

As things stand, GPs are independent contractors. They are answerable to family practitioner committees who in turn report to regional health authorities. There is no direct managerial link between districts and the GPs in their area. Most districts know very little about the referral patterns of GPs. In the business world such an arrangement would be regarded as absurd. How can a purchasing authority operate efficiently if it neither knows how its buyers behave nor has any managerial authority over them?

But the situation is worse than this. The Government is encouraging GPs with large practices to accept their own cash budgets. Such GPs will be mini-purchasing authorities buying a range of hospital services on behalf of their own patients. They will suck resources away from districts yet be too small to take a broad view of the health needs of the local population. GP purchasers will also lack the bargaining power or "leverage" to exact good terms from hospitals.

The purchasing side of the health market may thus be in disarray for some years. But providers are likely to adjust more rapidly. The NHS, after all, is a provider organisation: senior managers have plenty of experience of running hospitals. The risk, therefore, is that suppliers will play the dominant role in a competitive market, just as they already do in the US. Many clinicians are worried that the reforms will create an NHS which is driven by financial considerations rather than the needs of patients. The behaviour of self-governing institutions is a particular worry.

"If Guy's goes independent," says Prof Keen, "we shall become subservient to the business managers. They will be seeking profits. We pursue clinical goals and fit everything else around them. It's a totally different philosophy for running a hospital."

He fears market forces will push the NHS in unwelcome directions. "If Saudi Arabia offers three times as much for non-core services as the local district, we would be mad to refuse them." In a competitive market, he argues, any commitment on *Guy's part to serve the needs of local* people would be worthless. "The fleshpots will prove too attractive."

In the old-style NHS everybody was on the same side: GPs, hospitals and health authorities were all trying to serve the needs of patients. There were few financial incentives. Yet in view of the low share of GDP devoted to health care, their co-operative performance was quite impressive. The reforms create two camps with radically different incentives: purchasers who want the highest quality of service at the lowest possible cost and providers who want precisely the opposite. The assumption is that the competitive tension created by this division will benefit the final consumer of health care.

The assumption begs many questions. The benefits from competition are worthless unless they at least exceed the considerable costs of operating a health care market. Mr Ray Robinson, of the King's Fund, points out that transactions costs in the competitive US health care market absorb around 20 per cent of total expenditure, compared with 6 per cent in the NHS. Even if Britain's market proves considerably cheaper to run than the US's, which is extremely fragmented, transactions costs are bound to rise.

The final consumer may also wonder precisely how his interests are to be taken into account. The purchasers are charged with meeting the health needs of their populations. Yet their budgets are constrained. Trade-offs are thus inevitable: more spending on mental health means less on something else. Yet, with the elimination of local authority representation, accountability within the reformed NHS will only run upwards: districts report to regions and regions to the Secretary of State.

This creates a paradoxical situation. Purchasers are supposed to be the health care advocates of local communities. Yet they will be run by politically unrepresentative boards of directors. Such boards will have to take decisions about the local allocation of resources, yet will have no proper authority to do so. The reforms will thus accentuate the NHS's lack of accountability. The Government is creating a market but failing to give the consumer a voice.

OBSERVER

Jackson not for Mayor

■ The Rev Jesse Jackson has finally admitted what many suspected: he is not interested in running for Mayor of Washington DC.

The decision has shocked the national Democratic party. For months, officials have been hoping that Jackson's move from Chicago to Washington meant that the black civil rights leader had, at last, intended to drop his presidential dreams and settle for a local political career.

All sorts of theories were peddled in favour of a Jackson candidacy. It was said that, never having held elective office, he needed to run for a "proper" job with executive responsibilities. Another theory was that Jackson's "healing powers" made him the best candidate to deal with Washington's appalling problems of drugs, crime and a racially divided community – magnified by the arrest of Mayor Marion Barry, a friend of Jackson going back to the civil rights marches in the 1960s.

The underlying message, however, was the same: Jackson should stay out of the 1992 presidential election campaign because he remains a divisive, vote-losing force within the party.

This week Jackson made clear that he believes that he may best serve his community, his country – and himself – by occupying the national stage. Moreover, his recent trip to South Africa, where he met the newly-released Nelson Mandela, suggests that his ambitions go well beyond pot-holes in Washington DC. His interest in this area have been further confirmed by a growing friendship with Piet Koornhof, Pretoria's Ambassador in Washington.

Ordinary man

■ One small blow for freedom of information caused by the growing together of the two Germanys: we now know that Heinz Dürr, chief executive of the Daimler subsidiary, AEG, earns Dm1m a year.

That may not be a vast sum by the standards of many other countries, but West German directors are notoriously shy about revealing how much they earn and are not forced to declare individual earnings in annual reports.

After a momentary pause, Dürr revealed the figure under questioning from two sharp young East German journalists on a West German-East German TV programme on the plight of the East German economy.

But if the East Germans were attempting to shock viewers from their own country with the truth about West Germany's plutocracy, they will have been disappointed. Dürr was also forced to reveal that he owns merely one house and a flat and just two cars.

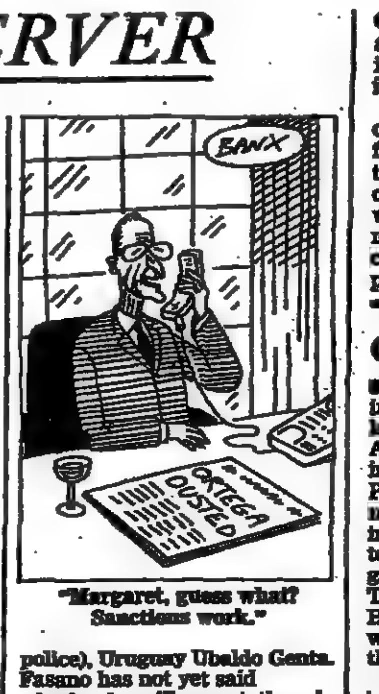
Seconds in

■ Duelling survives. Federico Fasano Mertens, director of the Uruguayan left-wing daily, La Republica, has been challenged by Police Inspector Saul Claveria.

La Republica alleged last month that two vehicles seen unloading contraband in the city of San Jose de Mayo, where Claveria is sub-chief of police, belong to him.

Under a law going back to 1920, Claveria asked the Ministry of Interior for permission to challenge Fasano to a duel. The law permits the use of pistols or rapiers to settle questions of honour. The qualification is that if the outcome is fatal, the vindicated party may face a charge of manslaughter.

Permission for the duel has been granted. Inspector Claveria has named his seconds: Colonel Alfredo Rubio and retired Inspector General (of



"Margaret, guess what? Sanctions work."

police), Uruguay Ubaldo Genta. Fasano has not yet said whether he will accept, though he has not retracted his story.

Off to Africa

■ Carl Openshaw, the first and last managing director of Dominion International Group, today leaves the defunct UK financial service company after an eventful eight-month sojourn. "It does seem a great deal longer than that," he said yesterday.

Openshaw was brought in last July to bring some order to Dominion, which had been riven by feuding between the former chairman, Max Lewinsohn, and fellow directors. The problems proved insuperable, however, and creditors had Dominion placed in administration – a step short of receivership – in January.

Now Openshaw, who remains as a consultant to Dominion's administrators, will be able to complete unfinished business from a previous job. He is going to Zimbabwe to finish the disposal of businesses owned there by Guthrie Corporation, of which he was an executive director before its takeover by the BBA Group in 1988.

But Openshaw has clear priorities: "My main objective for the summer is to retain the national over-50s county cricket championship". Kent won it in 1989 under his maiden captaincy. It is no coincidence that England B is playing in Harare next week.

Old Oldham

■ Here is another long-standing supporter of Oldham Athletic; indeed a whole family. Andrew Lamb is the chief investment manager at Friends Provident. One of his first memories is of his father coming into his bedroom in 1953 to tell him that Oldham had gained promotion to Division Two: briefly, as it turned out. He went to match after match with his father and grandfather.

Oldham beat West Ham 6-0 in the semi-final of the Littlewood's Cup this month on his father's 75th birthday and what would have been his grandfather's 99th birthday, had the grandfather not just died in the Boundary Park hospital adjoining the football ground.

Lamb now lives in Croydon and says that it is very difficult getting tickets for what may be Oldham's only visit to Wembley in his lifetime. There may be more than one this year. Oldham may also reach the Rugby League final. The football team has its second replay with Everton in the fifth round of the FA Cup tonight.

Last to hear

■ This story about Yildirim Akbulut, the new Turkish Premier, is supposed to be true. He turns up at a football match and a reporter asks him: "Prime Minister, what do you think about all those stories about you?" Akbulut thinks for a while and says: "Tell me one."

Ralph Atkins examines Unionist hostility towards the Anglo-Irish agreement

No room to manoeuvre

In the hard-line Protestant areas of East Belfast they still remember 1690 and the Battle of the Boyne when King William III defeated the Catholic James II.

Less than two miles from Stormont Castle, where Peter Brooke, Northern Ireland Secretary last week met the province's Unionist leaders, kerb stones are painted red, white and blue and walls daubed with Loyalist murals: "For God and For Ulster" and "Remember 1690."

And Ulster's Unionists have not stopped battling. Since 1985, the target has been the Anglo-Irish Agreement which has given the Irish Republic a consultative role in the affairs of the province.

Unionists – anxious to protest their Britishness – have burned effigies of Mrs Margaret Thatcher outside Belfast City Hall and boycotted meetings with Northern Ireland ministers. As Mr Brooke, like many a Secretary of State before him, seeks to find a way towards his department's cherished goal of devolving some of central government's powers to the province, the vitriol remains. But there are signs of a change in tactics.

Increasingly James Molyneaux of the Ulster Unionists and the Reverend Ian Paisley of the Democratic Unionist Party (DUP) appear to be following a strategy of death by negotiation – rather than defeat by outright bloody-mindedness.

While this might bring short-term cheer to the Northern Ireland office, the prospect of talks with the Unionists cannot yet be portrayed as real progress. Mr Molyneaux and Mr Paisley still insist the agreement must be at least suspended before talks can continue.

Instead the change of tack reflects frustration at the grass-roots level with the intransigence of Unionist politics and dispute about the best way forward. It is unclear, for example, how enthusiastic Mr Molyneaux will prove to be for a devolved government, subordinate to Westminster.

Mr John Hume, leader of the mainly-Roman Catholic Social Democratic and Labour Party (SDLP) and a leading player in the "talks about talks", says he does not understand what the Unionists want. The Northern Ireland Office is probably similarly bemused.

What still unites Unionists is hostility to the Anglo-Irish agreement. An opinion poll last month showed 74 per cent of Protestants against it – up from 68 per cent in December 1985.

Loyalists resent the semi-official status Irish ministers have in Northern Ireland. The Ulster Newsletter contemptuously calls Gerry Collins, the Irish Foreign Minister, "co-ruler of Northern Ireland."

Loyalists display their frustration with London over the Anglo-Irish agreement

Outside the red-brick terraced houses around the Harland and Wolff shipyard of East Belfast, hatred of the agreement is palpable. "You'd better watch your tongue about the Anglo-Irish agreement around here. We don't want anything to do with it," warns a former oil company employee. "They ought to do away with it. It is not getting any better," says a retired shipyard worker.

Frustration with their London rulers is nothing new for Ulster's Loyalists. For the past 400 years the Protestant community has been a devoted supporter of the Crown, but has often sniffed betrayal.

Its members cannot forget the siege of Londonderry in 1689 when 30,000 Ulstermen lived by eating dogs, cats and mice to successfully repulse attacks from the armies of James II. They remember the threat from the London Parliament of "Home Rule" at the start of the century. Today they feel betrayed by the 1985 agreement.

The result has been an independence of character – sometimes deferential, sometimes defiant. It is a devotedly religious community. In East Belfast, churches pack the Newtownards Road which leads from the City centre up to Stormont Castle. Dominating them is the passionate Free Presbyterian church headed by Mr Ian Paisley.

More than two decades of "troubles" in which killings and bombings have become commonplace have left the Unionist community defensive and suspicious. Politics and religion can sometimes be a heady mixture. Loyalist paramilitaries – the Ulster Voluntary Force and the Ulster Freedom Fighters – have pockets of support in East Belfast.

But more often there is a strong respect for the law – maybe sometimes even a streak of forgiveness. "People are trying to live together and understand one another," says the Reverend David Coe, vicar of St Patrick's church on the Newtownards Road. "How do you cross the political and religious divide? It will always be there."

But while history has given Ulster's Loyalists experience in defying the London Government, the past four years have shown the weakness of traditional forms of protest, the marching and shouting. Not only has the "Ulster says 'No' campaign" failed to yield real results, but factionalism within the Unionist movement could weaken its hand.

On the streets there is impatience for the politicians to start talking. Last month's opinion poll showed 49 per cent of Unionists believed the policy of refusing talks with other parties should stop – compared with 41 per cent wanting it to continue.

The most visible sign of disaffection has been the rise of Northern Ireland's Conservative associations. In the past, the Conservative Party has not organised in the province, leaving the ground free for its traditional Unionist allies. That policy has now changed, and in November, the first four local Conservative associations in Northern Ireland became officially affiliated. Since then, local Conservatives have become more confident in pushing their policy in favour of integration with the mainland and against the Anglo-Irish agreement. The appeal of the associations is the prospect of influencing the Conservative Government from within.

Even if they represent a "cop-out" vote, or a short-lived middle-class protest in the style of the mainland's Liberal Democrats, they are almost certainly symptomatic of wider shifts in Northern Ireland politics. Mr Jim McCormick, chairman of East Belfast Conservative Association, says: "People are fed up with the intransigence. They want to have politicians who go inside and talk and not stand outside and shout."

Another straw in the wind has been a rash of conciliatory comments by prominent Ulster Unionist politicians. Last month Jim Nicholson, the party's MEP, and Jack Allen, party chairman, said that if the Irish Republic were prepared to countenance establishing a new agreement than they were prepared "to put everything on the table."

In East Belfast, the conciliatory side of Unionism has been expressed in votes for the Alliance, which attracts support from both Protestants and Catholics and came second to the DUP in the 1987 general election.

Dr John Alderdice, Alliance party leader, dubs the 1980s "a decade of hopelessness and polarisation." The strong vote in 1987 reflected Unionists "saying we are not happy with strident and violent opposition to the agreement," he believes.

East Belfast's local MP is Peter Robinson, the deputy leader of the DUP, who in 1987 was joint author of the "Task Force" report on the Unionists' anti-Anglo-Irish Agreement campaign.

Aptly titled An End to Drift, it appeared to upset the Unionist leaders by favouring a more pragmatic approach to getting the agreement revoked. Now its conclusions appear increasingly in line with the leadership's actions.

Robinson says the "East Europe-style" opposition to the agreement, whereby citizens make government impossible, has not worked. The only alternative is negotiation. "Pragmatic politics are that this the only way the agreement is going to be got rid of," he says.

This is not to say Unionist opposition to the agreement is weakening. Mr Molyneaux and Mr Paisley are canny politicians anxious to find the most effective way forward.

At the Stormont meeting last week their line was that the workings of the Anglo-Irish agreement – the regular inter-government conferences and the civil service secretariat – needed to be suspended before talks could start. The strategy put the onus on the SDLP and the Irish Government to move nearer the Unionists' position.

But if the talks fail to lead to the agreement's demise the Unionists are likely to return to their old, dogmatic protests. Even if their aspirations are confused, that long-standing bitterness still makes it a Herculean task to win their support for taking talks on devolution a stage further.

EC Competition Policy

Community rules on a collision course

By Patrick Messerlin

Agreement on the EC Commission's merger powers is often seen as the final touch to the Community's competition policy. Merger control rules at the European level, it is believed, will complement the competition rules embodied in Articles 85 and 86 of the Treaty of Rome.

However, the debate on merger control has focused on an institutional issue – the Commission's powers – and left aside an explosive problem of substance. The emerging merger control rules may be at loggerheads with the current rules of anti-dumping procedure. Under current regulations, anti-dumping actions have powerful pro-cartel and pro-merger propensities.

The pro-cartel propensity of anti-dumping actions is best illustrated by two cases in the chemical industry. In 1981 and 1982, the EC producers of two products – polythylene and polyvinyl chloride (PVC) – lodged two anti-dumping complaints which led to measures resulting in a duty of more than 25 per cent (13 per cent added to the normal 12.5 per cent tariff). Soon after anti-dumping measures were imposed, the competition office of the Commission began to collect evidence on cartel-like agreements in both products.

An analysis of the 1988 competition decisions of the Commission leads to two conclusions. First, anti-dumping measures were crucial in enforcing price and quota disciplines by the two cartels. Second, the cartels' members captured the anti-dumping actions with an amazing ease, in sharp contrast to their determined resistance in opposing "anti-cartel" investigations.

There are many such "twin" anti-dumping and anti-cartel cases (that is, cases dealing with the same products) involving the same EC firms and leading to contrary decisions. Almost one fourth of the anti-cartel cases initiated since 1980 (overwhelmingly under Article 85) have "twin" anti-dumping cases, and these twin anti-dumping cases also represent one fourth of all EC anti-dumping cases. Services are being contaminated, as illustrated by the capture of the anti-dumping procedure against the Korean shipowner Huyndai by a cartel of European shipping lines operating between Europe and Australia.

Why so many conflicts? Because the gains the EC firms can get from anti-dumping actions far exceed the losses from the "twin" anti-cartel cases. In the polythylene and PVC cases, anti-dumping measures have allowed prices to increase by 11 per cent and 14 per cent respectively. These price increases have annually generated Ecu 352m (£250m) and Ecu 312m in additional revenues for EC firms, roughly 10 times their anti-cartel fines of Ecu 37m and Ecu 23.5m, respectively. The relative order of magnitude leaves little doubt: anti-dumping actions are more powerful in their capacity to cartelise firms unable to collude without some kind of public support than anti-cartel actions are in their capacity to counteract these forces and maintain a good level of competition.

The pro-merger propensity of anti-dumping actions has two sources. First, it follows from the protectionist content of anti-dumping measures. A higher level of protection leaves mergers as the main way to rationalise domestic firms or plants, as shown by the mergers of the polythylene activities of ENI and Montedison and of the PVC activities of ICI and Enichem. The Commission is likely to be torn between the opposing logic of anti-dumping actions and merger controls.

Second, the selectivity of anti-dumping actions has a genuine pro-merger propensity best illustrated by a recent case in synthetic fibres against US producers. The highest margins of dumping found for US exporters concerned two US firms recently acquired by two EC producers, BASF and Hoechst. But no measures were taken against these two US exporters, on the grounds they were producing "speciality" products. This exception suggests that EC-owned foreign exporters are immune to anti-dumping measures. This is a powerful incentive for EC firms to merge with foreign firms operating in EC markets. The ultimate result dilutes the Commission's merger control (since it focuses on intra-EC mergers) and produces less competitive markets due to lessened competition from extra-EC imports. Again, who is in charge of the merger control is not the point. What does matter is the possibility of major inconsistencies within the EC's competition policy.

It is time to go back to basics. Trade policy is competition policy. In accordance with the Treaty of Rome, anti-dumping actions should comply with competition rules each time the changes they introduce in the extra-EC trade can effect intra-EC trade – the competition within the Community. In an open economy like the Community's, such a principle is likely to lead to a systematic subordination of the anti-dumping procedure to EC competition rules.

As a result, the anti-dumping procedure should be based on the same rules as the anti-cartel and merger control procedures, particularly concerning market structures and behaviours (as the predatory intent). No anti-dumping measure should be imposed if it could lead to price collusion within the Community. The anti-dumping procedure should examine business practices – particularly below-cost pricing – as competition procedures do. No exemption from competition rules under Article 85 should be granted under anti-dumping measures. Last, the anti-dumping procedure should adopt the economic approach which supports competition rules: it should aim at spelling out the benefits and the costs for the consumers of the measures envisaged.

If anti-dumping rules are not put in compliance with the competition rules of the Treaty of Rome, the recent agreement on the Commission's powers on merger control will make the EC competition policy a blinded Janus staggering from managed trade to managed "competition".

The author is professor of economics at the Institut d'Etudes Politiques de Paris and consultant to the World Bank. The views expressed do not necessarily reflect those of the World Bank.

LETTERS

Unfair to penalise only the 'perk' car drivers

From Mr Stephen Pugh.

Sir, David Waller concludes ("The attraction of a free ride," February 21) that a move to penalise perk drivers would "probably be fair as well as popular."

Under the current tax regime should two company car owners drive to work each day, one staying in the office (the perk driver) and the other using his car on company business, the perk driver will be assessed on a benefit two or three times as large as the other driver.

The assumption seems to be that the value of the private use of the car (which, after all, is what is being taxed) falls as business mileage rises. Both drivers have the use of their car when not at work. Why should the value of this private use be two or three times higher for the perk driver?

Mr Waller appears to feel that a further penalisation of perk drivers would be fair. I would suggest that whatever one's views as to the fairness of the absolute level of car taxation, perk users are already unfairly treated relative to non-perk users. Not only is the current system unfair to the perk user but it has a potentially damaging side effect as it encourages drivers, contrary to environmental considerations, to maximise their annual business mileage.

Stephen Pugh,
57 Frankfurt Road, SE24

From Mr G. Steele.

Sir, As Budget time comes round again we see the return of articles about the taxable benefit of company cars.

While I accept that there is a taxable benefit and this should be taxed fairly, I am always saddened that little mention is made of the biggest perk of all – subsidised mortgages.

It is high time that this taxable benefit was given the same level of attention by the Exchequer and the press alike.

G. Steele,
14 Sundown Avenue,
Dunstable, Bedfordshire

Personal disposable incomes are the key to the housing market

From Mr Adrian Coles.

Sir, Your editorial comment ("More pain in housing," February 17) comments on the deregulation of the mortgage market over the past few years and suggests that the associated increase in mortgage lending has been a major factor explaining the acceleration in house price inflation during the late 1980s.

The table shows statistics which cast doubt on this.

It can be seen that there were two periods during the 1980s during which net mortgage lending grew rapidly.

The first period of growth, between 1980 and 1982, coincided with the abolition of foreign exchange controls and the corset, which effectively meant that the banks were able to lend to homebuyers. It can be seen that this very rapid growth in lending, which clearly represented a stock adjustment on the part of the personal sector following years of mortgage rationing, was not associated with any rapid change in house prices.

In contrast, the growth of lending at the end of the 1980s was accompanied by a significant increase in prices. Given those differences it is clear that some other factor must be responsible for changes in the rate of house price inflation.

The final column in the table shows trends in real personal disposable incomes. It can be seen that the modest rate of house price inflation in the early 1980s was associated with falling real incomes, that the moderate increase in house prices during the mid-1980s was associated with moderate growth in real incomes and that the rapid rate of increase in house prices in the late 1980s coincided with a rapid increase in real incomes.

HOUSE PRICES AND THE MORTGAGE MARKET

	Price inflation %	Growth in net advances %	Growth in disposable income%
1980	21.2	13.5	1.4
1981	5.5	29.4	-1.3
1982	2.5	49.0	-0.1
1983	11.6	2.7	2.2
1984	9.7	17.5	2.3
1985	8.8	12.0	2.3
1986	13.9	38.1	3.8
1987	16.5	9.0	3.2
1988	25.6	38.7	4.8
1989	24.1¹	-21.0¹	4.1²

¹first three quarters; ²estimate
Increases over previous year or same period of previous year

It is this third, independent, variable, growth in real incomes, which is the prime factor driving both the demand for housing (and hence its price, given the restrictions on supply in the short term) and the demand for mortgage finance.

Rapid increases in real incomes fuel consumer confidence and lead potential buyers to bring forward their purchasing decisions. In contrast, reductions in the rate of growth of incomes inhibit movement in the housing market and lead to reductions in demand.

Your editorial also suggests that the process of house price inflation was fuelled by tax relief on mortgage interest. Again, this is a difficult argument to sustain, given the gradual restrictions applied to mortgage interest tax relief over the past few years.

The 1988 budget marked the abolition of relief on new home improvement loans and the restriction of the relief to the residence rather than the tax paying unit. The £30,000 limit has been unchanged since 1983. Moreover, the most rapid increase in house prices during 1986-88 was in southern England where the £30,000 limit is worth least in relation to house prices.

The average new mortgage granted by building societies in Greater London has been above £30,000 since the third quarter of 1985. The availability of mortgage interest tax relief has been a factor of rapidly declining importance in explaining either the growth of lending or the level of prices in this region for many years.

Adrian Coles,
Council of Mortgage Lenders,
3 Savile Row, W1

The Hanson stock decision: to convert or not to convert

From Mr Roger Clough.

Sir, Today, February 28, holders of over 1bn Hanson 10 per cent loan stock must decide whether to convert them into ordinary shares.

In your article ("Hanson is as Hanson does," February 17) Mr Hugh-Jones disagreed with my advice to convert on the grounds that the March payment on the stock would be missed and instead the smaller interim on the ordinary share would be received four months later, in July.

If Hanson were to alter the conversion date, this could allow the larger final dividend on the ordinary to be received and changing the pay dates would help the cash flow problem. Assuming that the value of a convertible is based upon the discounted extra income it provides over and above the ordinary dividends, this would increase the convertible's relative value.

In 1986 the terms of the stock were established in order to merit a precise value crucial to the offer for Imperial.

If different dates, beneficial to current holders, had been used the model would have simply computed a lower coupon in order to achieve this fixed value.

Either Mr Hugh-Jones believes that the offer, in retrospect, was inadequate or he wants the benefit of changing the terms now without the cost of having had a lower yield from day one.

Roger Clough,
9 Moorfields Highwalk, EC2

FINANCIAL TIMES
Wednesday February 28 1990

Key test for Nicaragua's troubled economy

Tim Coone reports on some of the newly elected Government's policy options

SANDINISTA militants, still reeling from the *shock of defeat in Sunday's* elections in Nicaragua, were of the general view that "people voted with their stomachs and not their heads."

If true, the victorious UNO (National Opposition Union) alliance will have to work quickly to turn the economy around when it takes office in *April, if its support is not to* melt away.

Dr Francisco Mayorga, one of UNO's leading economic advisers, and a probable cabi*net member in the new govern*ment, claimed during the election campaign that UNO would be able to put a halt to Nicaragua's hyperinflation in 100 days.

To do so, he and his colleagues will have to deal with Nicaragua's endemic double-deficit problem, resulting from the war, and which has been the root cause of the country's *economic crisis.*

Part of their task has already been achieved. According to the Planning and Budget Minister, Dr Alejandro Martinez Cuenca, the Government succeeded in sharply reducing the fiscal deficit last year to only 5 *per cent of* GDP, from a level of 27 per cent of GDP in 1988. This exceeded the 13 per cent target set by the Finance Minister, Mr William Hupper, in January last year, and was achieved by drastic cutbacks in both current and capital spending and the elimination of most government subsidies.

Some 34,000 lay-offs were made in the public sector, half of them from the armed forces and Interior Ministry.

With the prospect of peace ahead and a normalisation of relations with the US, further cutbacks in defence spending together with fiscal support from external finance should make UNO's task easier to bring the fiscal deficit under control.

The balance of payments deficit is a more complex problem to deal with. Last year Nicaraguan exports rose by 26 per cent, but from a very depressed level of $235m in 1988. The current account deficit has been running at around $500m per year for more than five years, more than twice the country's exports.

A combination of deteriorating terms of trade, the US trade embargo imposed in 1985, a collapse of the Central American Common Market, the war – which directly affected coffee and cattle production and indirectly diverted resources into defence instead of production – all contributed to the problem.

Parallel to this, the drying-up of important credit sources such as the World Bank, the Interamerican Development Bank, and the international banking system in general left Nicaragua starved of finance and led to major defaults on its existing debt commitments.

The economy has been sustained primarily as a result of the Comecon countries stepping into the breach with raw materials and financial support.

According to Dr Martinez, Nicaragua's debt now has the following profile:

- $2.5bn owed to the international commercial banks,
- $2.7bn owed to the Comecon block,
- $900m owed to Latin American governments (primarily for oil supplies in the early 1980s).
- $400m owed to the other Central American countries.
- $300m to the Club of Paris.
- $300m in short-term trade credits.
- $250m owed to the multilateral finance institutions ($170m to the World Bank and $60m to the IDB);
- This Makes a grand total of $7.35bn.

One of the new government's priorities will be to renegotiate this vast body of debt and most probably to enter into a new standby credit and structural adjustment loan agreement with the IMF. Dr Martinez said that talks have already begun with the IMF, and that if the Sandinistas had won the elections, he was expecting a loan agreement to have been in place within 12 months.

Now that UNO will take the reins, it is possible that with US support an agreement can be reached even sooner. Credit will be needed urgently in the short term to finance the 1990-91 crop cycle.

One of the continuing areas of subsidy by the outgoing government, and which has continued to fuel inflation, has been the underwriting of loans to the agricultural sector. The government faced a rebellion by farmers last year when the central bank attempted to sharply reduce interest rates subsidies to farmers.

The Government faced a potential collapse of agricultural production. The subsidies were restored.

The principal weakness of the Government's adjustment plan has been the lack of external finance.

Dr Martinez said that in 1990, in addition to outstanding loan commitments, Nicaragua will require $125m to achieve a 3-5 per cent growth rate. UNO's ambitions will be much greater, however, as expectations of a rapid economic recovery have been created by their electoral victory.

Support is undoubtedly going to arrive, primarily from the US. Paradoxically, though, it is also going to spark a new phase of conflict in Nicaraguan society.

The trade unions, which are under the the control of the Sandinistas, have been docile these past 10 years. Union leaders, with Sandinista party backing, will be looking to regain their power.

CENTRAL AMERICAN DEFENCE SPENDING 1987

	Nicaragua	El Salvador	Guatemala	Honduras	Costa Rica*
Population	3.7m	5.9m	8.8m	4.9m	2.8m
GDP	$3.41bn	$4.66bn	$6.95bn	$4.01bn	$4.54bn
Defence spending	$1.89bn	$208.2m	$106.3m	$67.5m	$32m
% GDP	55%	4.5%	1.6%	1.7%	0.9%
% Spending		36.4	13.0	8.7	3.6
Total armed forces	80,000	56,000	42,200	19,200	7,700
Reserves	137,000	-	35,000	50,000	0
Cbt Ac	16	32	17	49	0
Helicopters	10	19	10	0	0
MBTs and light tanks	150	5	10	15	0

* Costa Rica has no armed forces; figures are for security forces and police.
Source: International Institute for Strategic Studies, The Military Balance

UNO victory raises hopes for deep cuts in defence

By Tim Coone in Managua

THE OPPOSITION electoral victory in Nicaragua has raised hopes that the US-backed Contras can finally be demobilised and that the Government's own defence forces can be substantially reduced.

Savings on defence spending could then be diverted to *agriculture, industry and construction*, and enable the country to break out of its current "stagflation" cycle.

But dismantling the Sandinista-dominated forces will be a tricky operation. There is no formal guarantee from Washington yet that conflict with the Contras is over.

Total manpower of the police and armed forces - at their peak some two years ago - has been estimated by defence experts at nearly 100,000, of which around 80,000 were in the armed forces.

Last year forces were reduced by 17,000 as part of an economic adjustment plan which reduced defence and security spending from more than 50 per cent of gross *domestic product annually* to a targetted 36 per cent during 1989.

Mrs Violeta Barrios de Chamorro, the president-elect, will in two months take office. She is likely to begin her term by naming new defence and interior ministers, who will hope to proceed with a rapid demobilisation of the army and security forces.

UNO, the victorious opposition alliance, has pledged to put an end to military service, which will reduce army manpower by a further 20,000. Another 80,000 active reserves and militia could be sent home, if indeed there is an end to the war. The standing army, navy and air force could thus be reduced to around 20,000 and *the police and security forces* to around 10,000.

As the greater part of the defence budget is spent on manpower, substantial savings could thus be made, allowing defence and security spending to be rapidly reduced to a more manageable 15-20 per cent of GDP initially.

The Government has already managed to cut the fiscal deficit in the past year to only 5 per cent of GDP, so the new government should in theory be able to reactivate public sector investment plans.

It should also be able to direct credit to agriculture and industry, at the same time as controlling monetary expansion, by the simple expedient of cutting back on defence.

It will be a delicate task for UNO without provoking a rebellion in Sandinista ranks. Some are fearful it will be a first step to a generalised repression of their party.

If UNO proceeds with a rapid demobilisation of the army and security forces, while powerful armed resistance groups allied to UNO remain intact, the Sandinistas are liable to resist.

One fear that is being seriously discussed around the capital is that of a civil war followed by a request by the new government for military support from the United States. The history of Nicaragua would have then turned full circle.

That scenario, taken seriously by Sandinista military leaders, prevents them from accepting a rapid demobilisation of their troops. Defence against US military domination is rooted in their philosophy.

Leaders of the Contra guerrillas based in Honduras have said, however, that they do not intend to demobilise for at least three months. These confirm the fears of Sandinista military leaders that the war cannot yet be considered over.

Full EMS entry 'would force' UK changes

By Peter Norman, Economics Correspondent, in London

FUNDAMENTAL changes will have to be made in the conduct of Britain's economic policy if the country becomes a full member of the European Monetary System before the next general election, the Government was warned yesterday.

In its latest quarterly review, the National Institute of Economic and Social Research said:

● The Bank of England would have to be given more independent responsibility than it has now. The setting of interest rates in particular must become subject to less political control;

● The Government should act to counter widespread expectations of tax cuts, both ahead of the next election and in the medium term;

● There would be "serious and urgent" implications for the rate of wage increases in the UK, in the event of full EMS membership.

The institute, which is an independent, non-profit making research body, has based its latest economic forecast on the assumption that Britain joins the exchange rate mechanism of the EMS in the fourth quarter of this year.

This would force the UK to face the endemic problem of excessive wage pressure in the economy, it said. The institute pointed out that employees' pay in the business sector rose by 9.1 per cent last year in Britain compared with 3.7 per cent in West Germany and 4.1 per cent in France. If Britain was to succeed as a full EMS member and share the price stability experienced elsewhere in Europe "that gap must be closed and closed very soon."

It said earnings in Britain should rise at broadly the same rate as in the rest of Europe with 3 or 4 per cent constituting an appropriate norm at present. The public should be made more aware of the level of wage increases in France and Germany and these should be the starting point for wage negotiations rather than the retail prices index, which currently is rising by 7.7 per cent a year.

The institute called on the Government to draw up a new type of medium-term financial strategy appropriate to full EMS membership. This would demonstrate how the public sector accounts could be made consistent with lower inflation, lower interest rates and an anticipated fall in the current account balance of payments deficit during the 1990s.

One likely conclusion from such an exercise would be that the public sector would need to stay in financial surplus, to cope with low personal savings and rising private sector investment.

"One reason for publishing projections of this kind would be to counter the widespread expectation of large-scale tax cuts in the medium term," the institute said. It added that there seemed to be no economic justification for any tax cuts in the run-up to the next election.

Details, Page 10

Japanese markets fluctuate

Continued from Page 1

afternoon sessions. "A request like that is totally unreasonable," said one broker at a foreign firm.

The impact of the collapse in share prices on corporate fund-raising spread with companies announcing that equity issues were under threat. Yasuda Trust and Banking, a trust bank, said it would postpone a planned equity and convertible bond issue if its stock price fell below yesterday's close. Tokai Bank said it would postpone an equity issue unless share prices recovered.

Bonds also fluctuated with the yield on the benchmark government instrument moving above 7 per cent before falling to close at 6.935 per cent against Monday's 6.860.

On the foreign exchanges, the Bank of Japan sold an estimated $1.5bn in Tokyo to support the yen, following sales of more than $2bn on Monday. Nevertheless, the yen closed weaker at Y149.63 to the dollar compared with Y148.65 on Monday. By early afternoon in New York, it was trading at 148.70.

Traders are convinced that the Bank of Japan will have to raise discount rate, currently 4.25 per cent, in order to stem the yen's decline. They believe that if the dollar rises to Y150 the Bank may be forced to act to maintain the credibility of agreements between the G-7 industrialised countries to keep exchange rates stable.

A breach of the symbolic barrier would also allow the finance ministry, which is opposed to a further hike, to change its mind with dignity.

A senior Bank of Japan official said yesterday the Bank was still studying the impact of three discount rate increases last year. The central bank was concerned about the yen's weakness but its policy was not geared only to the foreign exchange markets.

Commenting on the plunge in equities, he said: "I don't want to say that everything is OK and that there's no problem (in the market) . . . But this is a movement which can be digested in the market without special support from the ministry or the central bank."

Slump in orders for US durable goods

By Peter Riddell, US Editor, in Washington

NEW ORDERS for US durable goods dropped by a record 10.5 per cent in January. This was largely because of a big decline in the previously high level of demand in the aircraft and motor sectors, and most economists do not see the start of a general recession.

The drop was more than double what the markets had been expecting, though Mr Alan Greenspan, the chairman of the Federal Reserve, played down its significance. Describing the durable goods series as "highly unstable", he said other data suggested that the pattern in orders was "soft but by no means accumulating on the downside. Our judgment is that orders are now basically flat."

While most economists agree with Mr Greenspan, and with the Bush Administration, that a recession should be avoided, there will be a close watch on forthcoming data to see whether activity is weakening. For instance, the Conference Board, a business research group, has reported a decline in consumer confidence in February, for the fourth month in a row.

Yesterday's figures initially helped to boost US Treasury bond prices, though the effect quickly wore off, especially following Mr Greenspan's remarks.

In detail, new orders for manufactured durable goods dropped $13.8bn to $118.2bn in January, on a seasonally adjusted basis. Most of the decline was in transport equipment which fell $10.6bn, or 27.6 per cent, to $27.9bn, following increases of 4.8 and 10.8 per cent in the previous two months.

Excluding transport, new orders fell by 3.4 per cent in January. There was also a 38 per cent decline in orders for defence capital goods to the lowest level for two years.

Orders for both aircraft and motor vehicles and parts had previously been at a high level so the January decline was in part an exceptional correction and a rebound can be expected in February. For instance, domestic car production was cut sharply in January as excessive levels of stocks were reduced, and output has subsequently risen.

Meanwhile, the Commerce Department announced that the US trade deficit narrowed to $113.2bn last year from $127.2bn in 1988.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Rio de Jo	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	Faro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Athens	S	17	[illegible]	Florence	C	[illegible]	[illegible]	Melbourne	-	-	-	Salzburg	C	12	54
Bahrain	-	-	-	Frankfurt	F	4	39	Mexico City	-	-	-	San Francisco	[illegible]	[illegible]	[illegible]
Bangkok	-	-	-	Funchal	S	18	64	Miami	C	21	70	Seoul	-	-	-
Barcelona	S	[illegible]	72	Geneva	R	[illegible]	[illegible]	Milan	C	[illegible]	[illegible]	Singapore	-	-	-
Beirut	-	-	-	Gibraltar	S	21	[illegible]	Montreal	-	-	-	Stockholm	Sl	1	[illegible]
Belfast	Sl	4	39	Glasgow	F	4	39	Moscow	C	7	45	Strasbourg	R	7	45
Belgrade	S	11	52	Guernsey	C	[illegible]	[illegible]	Munich	R	18	64	Sydney	-	-	-
Berlin	C	5	41	Helsinki	Sn	[illegible]	[illegible]	Nairobi	-	-	-	Taipei	-	-	-
Biarritz	C	[illegible]	[illegible]	H. Kong	-	-	-	Naples	C	[illegible]	[illegible]	Tangier	C	17	63
Bombay	-	-	-	Innsbruck	R	[illegible]	[illegible]	Nassau	-	-	-	Tel Aviv	F	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Inverness	R	4	39	New Delhi	-	-	-	Tenerife	S	20	68
Brussels	[illegible]	[illegible]	[illegible]	Islamabad	-	-	-	New York	S	[illegible]	[illegible]	Tokyo	-	-	-
Budapest	C	[illegible]	[illegible]	Istanbul	S	14	[illegible]	Nice	C	20	68	Toronto	S	[illegible]	[illegible]
B. Aires	C	23	73	Jakarta	-	-	-	Nicosia	S	17	63	Tunis	S	20	68
Cairo	-	-	-	Jersey	F	[illegible]	[illegible]	Oporto	C	13	55	Valencia	S	24	75
Cape Town	C	30	86	Jo'burg	-	-	-	Oslo	C	6	43	Venice	Fg	[illegible]	[illegible]
Caracas	-	-	-	Lima	-	-	-	Paris	F	7	45	Vienna	R	12	54
Casablanca	S	18	64	Lisbon	F	15	59	Peking	-	-	-	Warsaw	C	6	43
Chicago	S	[illegible]	[illegible]	London	F	[illegible]	[illegible]	Prague	Sl	1	34	Washington	S	1	34
Cologne	R	[illegible]	[illegible]	Los Angeles	-	-	-	Reykjavik	S	-4	25	Zurich	C	35	95
Copenhagen	F	4	39	Luxembourg	C	4	39								
Corfu	R	14	57	Madrid	S	[illegible]	[illegible]								
Dallas	S	[illegible]	[illegible]	Majorca	S	20	68								
Dublin	R	[illegible]	[illegible]	Malaga	S	23	73								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US sanctions threat

Continued from Page 1

toral" talks after June, providing progress has been made. Although Mrs Carla Hills, US Trade Representative, has frequently promised tough action, she has consistently claimed progress in talks and delayed imposition of sanctions.

In an attempt to improve relations, Mr Toshiki Kaifu, the Japanese Prime Minister, is to meet President Bush in Palm Springs, California, on Friday and Saturday. But Congress clearly will be unimpressed unless real concessions are forthcoming.

Representatives of the US wood products industry testified on Monday that five rounds of talks held since last June have produced "virtually no concessions and the talks are in danger of stalling or succeeding with only half-measures". Mr C.P. Howlett, a vice-president of the Georgia-Pacific Corporation, said the industry had worked closely with the Administration, doing exhaustive research to provide evidence of the closed market.

"The government of Japan has shown that it will not give up an inch of ground more than it has to in trade negotiations," he said.

THE LEX COLUMN

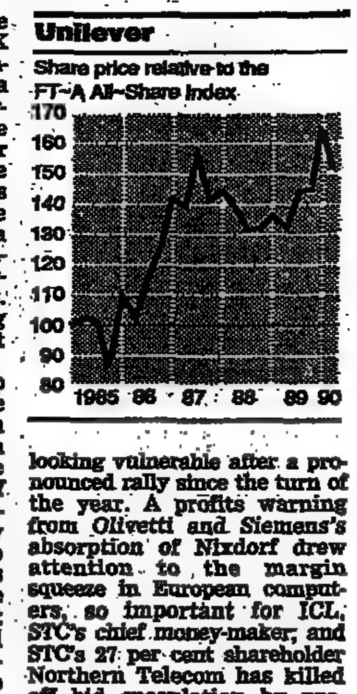
A balanced diet from Unilever

In what already promises to be one of the most unsettling UK results seasons in recent memory, Unilever stands out like a monument to the defensive virtues. Underlying volume growth last year was 4 per cent, against 3.1 per cent the year before: operating margins were up again, as they have been year after year over a decade: and the full year dividend is up 25 per cent in sterling, 10 per cent in guilders. Assuming eating and washing do not go out of fashion, what can possibly go wrong?

One answer is that the group could still be prone to the same margins cycle it suffered from in the 1960s and 1970s. In Europe, much its most mature area and still the source of more than half of profits, margins in 1989 were actually down. Adjusted for one or two oddities like a £10m-plus loss in salmon farming, the true picture is apparently flat. But resistance to the cycle will only be proven when the consumer downturn reaches the three quarters of European sales not in the UK.

Then again, cycles may be less simple than they were. The company suggests that as dislocations occur in the economies of Continental Europe and Japan, the Anglo-Saxon economies may be detaching themselves. For a group with Unilever's geographical spread, the result may be a new kind of balance. In recent months, its share price has been specifically geared to the behaviour of the D-Mark. But assuming double figure growth this year in constant currency, the shares at 630p should still be a lot more resistant to crisis than most, on an average market multiple and a prospective yield of 4 per cent.

Unilever
Share price relative to the FT-A All-Share Index



STC

Yesterday's 14p drop in STC's shares to 249p was an unambiguous indicator of how badly it muffed the disclosure – along with its 1989 results – *that its pension scheme was* overfunded by £270m. A surplus this big from a company with only 34,000-odd employees and 12,500 pensioners is good news, not bad: all the more so since the resulting contribution holiday not only saved STC £36m in 1989, but could stretch into the 21st century. For STC to make that the occasion for a 5 per cent fall in its share price, by raising doubts about its quality of earnings, suggested at best poor communications skills, at worst that it had something to hide.

STC's share price had been looking vulnerable after a pronounced rally since the turn of the year. A profits warning from *Olivetti and Siemens's* absorption of Nixdorf drew attention to the margin squeeze in European computers, so important for ICL, STC's chief money-maker, and STC's 27 per cent shareholder Northern Telecom has killed off bid speculation by pronouncing itself happy with the status quo.

The difficult thing is to decide whether the share price reaction was overdone. The market subtracted the £36m from STC's £278m taxable profits, coming up with only 5 per cent profits growth and troubling guesstimates that in reality ICL's operating margins may have fallen from 9.5 to less than 8 per cent. The other side of the coin is STC's 22 per cent dividend increase, which does not suggest a lack of confidence about the future; and the fact that R&D spending has gone up from 9 to 10.4 per cent of sales may be a plus, not a minus. It only seems a pity that it will take some time for STC to clear up the confusion.

BET

The lack of share price reaction to BET's latest announcement may well be due to a sense *of puzzlement. It seems* odd to be selling a windows and double glazing business just as the downturn in housing is firmly established, just *as it looked odd to buy Hestair* right at the end of the upswing in recruitment.

The reason may be that BET wants to maintain its role as a *big spender.* It has issued too much paper in the past to use much more for acquisitions: and with interest cover down to perhaps six or seven times after the Hestair purchase, it cannot raise much more debt without jeopardising its prized triple-A rating. If anything like the hoped-for £250m can be raised from the disposal, its further ambitions in Europe and the US – and perhaps in areas like catering – can be accomodated. Whether the market's patience will stretch so far is, of course, another matter.

US economy

The US durable goods statistics may be notoriously erratic: even so, yesterday's sharp 10.5 per cent January fall gives Mr Greenspan another headache. The economy may yet avoid a recession in the technical sense. But despite the special factors in yesterday's figures, the manufacturing sector is obviously suffering badly. The White House, eager to see a *fall* in interest rates, seized the chance to comment on the figures, presumably with the aim of keeping up the political pressure on the Fed.

The state of the US financial system cries out for lower rates as well. Although all has been outwardly calm following the downfall of Drexel, the US Government is still committed to saving the nation's dodgy savings and loans, many of which were eager junk bond buyers. A healthy bond market will both limit junk losses and make it easier to sell the Resolution Funding Corporation's bail-out bonds.

But while interest rates are rising in West Germany and Japan, any fall in US rates would be difficult to sustain. The US government needs German and Japanese investors to finance its deficit, and both currently have other claims on their purses.

TransAtlantic

Yesterday's bid for full control of Continental and Industrial Trust by TransAtlantic, the UK vehicle for Liberty Life, sheds a curious light on the activities of Mr Donald Gordon. Since taking 71 per cent of Continental in 1986, he has done almost nothing with it. Of its £167m portfolio all but £41m is in cash or short gilts, the remainder being a few very small stakes in such as Legal & General. Now Continental is to lose its listing we are presumably also seeing the end of Mr Gordon's intentions of using his paper for acquisitions. It all suggests that the idea of Mr Gordon ever bidding for Sun Life, where he holds 29.6 per cent, is very remote; and this week we heard from UAP, with 25 per cent, that it will not either.

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

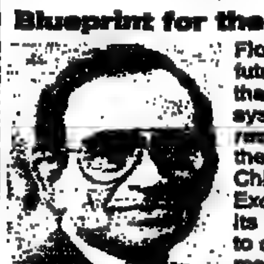
Pushing back the Canadian frontiers

The Canadian investment community is set to widen its horizons, following the Government's decision to double the limit on pension funds' foreign investments. It is estimated that Canada's pension funds will switch C$1.5bn (US$1.3bn) to C$2bn a year into foreign investments under the new rules, plus C$1bn from their cash flow. International pharmaceutical and consumer products stocks, such as Ciba-Geigy, Nestlé, Johnson & Johnson and Kellogg's, are expected to be among the favourite targets. Bernard Simon reports. Page 44

Oiling the wheels

As part of a big diversification programme, India's Grasim Industries is planning a refinery at Mangalore in the state of Karnataka. The company, which commands 90 per cent of the Indian market for viscose staple fibre, received clearance for the controversial project last month. The refinery, a joint venture between Grasim and the public-sector Hindustan Petroleum Corporation, envisages the refining of 3m tonnes of crude oil per annum. Page 25

Blueprint for the future



Floor traders at Chicago's futures exchanges fear that screen-trading systems are eating up resources and eroding their business. Now the Chicago Mercantile Exchange has launched its Blueprint for the 1990s to create new income for members and to persuade them to join together in resolving regulatory disputes. According to Mr Leo Melamed, left, head of the CME's executive committee, members must decide whether they are for or against issues such as dual trading and block trading. Page 27

Finding the cupboard bare

Egypt is facing increasing difficulties funding its huge food bill, particularly wheat imports, amid signs that its cash reserves are dwindling fast. Under pressure from almost all its creditors and starved of new funds, it is being forced to pay cash for a greater proportion of the 6m tonnes of wheat it imports annually. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
BASF	303	+	5.9	Cetelem	529	+	30.7
BHF	466	+	20	Comptoir Ent	287.1	+	13.7
BMW	622	+	13.5	SGE	222.3	+	10.7
Deutsche Bk	766.5	+	5.5	Total Cert	100	+	5.1
Dresdner Bk	414	+	14	Falls			
Volkswagen	557	+	18.5	Bail Equipment	314	–	5.8
NEW YORK ($)				Elf Gabon	1100	–	47.8
Rises				TOKYO (Yen)			
Goodyear Tire	33½	+	½	Rises			
Shearson Lehman	11⅞	+	1¼	Miyaji Iron	2580	+	320
				Nippon Chemi	1200	+	150
Woolworth (FW)	59⅜	+	¾	Sasaki Kensetsu	1130	+	130
Falls				Showa Highpoly	1560	+	200
American Exp	28⅛	–	⅝	Subaru Ent	1580	+	180
Bolar Pharm	6½	–	2	Tobu Store	2700	+	400
Federal Express	50⅝	–	⅞				

LONDON (Pence)							
Rises				Reuters	1048	+	17
ADT	186	+	2½	Rolls-Royce	172	+	3
BTR	412	+	8	Sainsbury (J)	264	+	3
Barratt Dev	186	+	6	Unilever	630	+	5
Body Shop	497	+	22	Falls			
Brit Aerospace	591	+	7	Coats Viyella	47½	–	12½
[illegible]	925	+	8	Royal Ins	466	–	7
[illegible]	1053	+	13	Queens Moat	94	–	3
[illegible]	214	+	4	STC	249	–	12
Kingfisher	284	+	8	Sedgwick	261	–	11
McAlpine (A)	328	+	8	Sun Alliance	302	–	9
RHM	393	+	6				
RMC	621	+	12				

Sir Michael Angus: Going green "makes good sense"

Unilever raises annual profits 24% to £1.8bn

By Clay Harris, Consumer Industries Editor, in London

UNILEVER, the Anglo-Dutch food and consumer products group, increased pre-tax profits by 24 per cent to £1.8bn ($3.1bn) in 1989. If the pound had not declined over the year, the advance in sterling terms would have been only 13 per cent.

Sir Michael Angus, chairman of the UK company and vice chairman of its Dutch sibling, said Unilever – Europe's leading detergent manufacturer – was giving high priority to environmentally sound processes, products and packaging.

"We hope all our products will be green, not for any altruistic reason but because it makes good business sense," Sir Michael said. "People want things with certain qualities and we have to provide them."

Unilever was approaching eastern Europe cautiously, he said. It exported goods worth £130m to the region last year and had two joint ventures in Hungary. However, Sir Michael said companies that invested precipitately ran the risk of "suffering burnt fingers," as many had in China, and of creating surplus capacity in the West. Moreover, with empty shelves in some countries, "the time for selling high value-added products may not have come."

Unilever's increase in pre-tax profits from £1.45bn came on turnover ahead by 26 per cent to £12.9bn (£10.32bn). Its operating margin improved from 8.9 per cent to 9.2 per cent, with an advance in the US off-setting a decline in Europe. Earnings per share rose by 26 per cent to 56.43p (44.68p). The final dividend goes up by 29 per cent to 12.24p.

Agribusiness was the exception to the upward trend in profits. The company's Scottish salmon-farming operation was severely damaged by the global collapse in prices. Unilever is advertising in the US to try to establish a premium image for its salmons.

Overall, Unilever achieved its target of 4 per cent underlying volume growth in sales in 1989. It spent £1.9bn on 55 acquisitions, the most significant being the Fabergé/Elizabeth Arden and Calvin Klein fragrance businesses and olive oil companies in southern Europe; and raised £100m from 16 disposals.

Immediate growth by acquisition was likely to focus on the US, where Sir Michael said: "We'd still like to be bigger."

The company said it was abandoning year-end exchange rates in favour of average rates with effect from 1990 because of the complexity involved in reporting in three currencies – sterling, guilders and dollars. The only exception would be results from hyper-inflationary countries, such as Brazil and Mexico, which would continue to be translated at closing rates.

Lex, Page 20, Details, Page 29

French investors complete Sicli LBO

By George Graham in Paris

A GROUP of French investors yesterday completed the FFr2bn ($349.6m) leveraged buy-out of Sicli, the French fire extinguisher and security equipment subsidiary of the British group Nu-Swift.

A first attempt at a buy-out, priced at FFr2.5bn, failed last year. A group led by Bankers Trust and Wasserstein Perella Partners agreed to pay FFr2.5bn for Sicli, but the deal broke down when it proved impossible to acquire 95 per cent of the company's equity – necessary to benefit from favourable tax treatment under French law.

The new deal, arranged by Rothschild et Cie and Drexel Burnham Lambert, has reached this 95 per cent barrier and will be able to opt for fiscal integration.

Sicli will be bought by a new company named Sicli Participations, which will finance the deal with FFr450m of equity, FFr1.3bn of straightforward debt and FFr330m of subordinated bonds with attached warrants.

Sicli Participation's main shareholder is the grouping of Mr Jean-Luc Lagardère, who controls Matra, the defence and electronics company, and Hachette, the publishing company, with a stake of 34 per cent.

Euris, an investment fund managed by Mr Jean-Charles Naouri, and Citicorp Capital Investors Europe will each take 10 per cent, while two Rothschild funds will take 7.5 per cent between them.

Crédit Lyonnais, with Banque Paribas, arranged a FFr1.3bn eight-year floating rate credit as the principal debt component of the deal.

The mezzanine financing takes the form of a FFr330m issue of 10-year bonds with attached warrants, subordinated to the credit and bearing a fixed interest rate of 13.75 per cent, arranged by BGP-SIB, the French bank of the Pargesa group which is a shareholder in the now troubled Drexel.

Bankers said that, although Drexel had initiated the deal, the US investment bank's recent financial problems had not delayed or compromised its completion, since Drexel was not participating in the financing.

Sicli reported net profits of FFr135m in 1988 on sales of FFr1.27bn. The price of FFr2bn, or FFr523 per share plus a FFr4 element to take account of 1989's dividend, values the company at 13.4 times estimated 1989 earnings and 10 times its forecast earnings for 1990.

Farmers sows seeds of hope in the BAT camp

Nikki Tait reports on Axa-Midi's bid for a US group

Farmers Group, the Los Angeles-based BAT insurance subsidiary embroiled in a regulatory struggle to block the takeover by Sir James Goldsmith's Hoylake consortium and its French associate Axa-Midi Assurances, last week omitted its final witness from a key hearing before Californian insurance department officials.

The move spoke volumes for the optimism suffusing the BAT/Farmers camp as it attempts to defeat Axa's application to own the US insurer.

The tightly-focused hearings have brought to the fore the key question of whether the mixture of short- and long-term acquisition debt that Axa plans to take on poses a threat to Farmers' policyholders, given the possible pressures on the insurer's business.

The intriguing twist is that the Californian insurance commissioner, Ms Roxani Gillespie, is as well placed as anyone to judge what those strains may be.

For many months, California's insurance department has tussled with the implications of Proposition 103, the state insurance reform legislation being developed in response to consumer protests about escalating auto rates.

A recent Supreme Court judgment has allowed the insurers to make a "fair rate of return" and a court case in San Bruno is debating what this might mean. As a result, it is unclear where Prop 103 will end up – whether, for example, the consumer lobby will ever see its desired roll-back in rates or whether insurers' expenses might be capped.

But possible implications of the legislation have clearly played on state insurance department officials' minds as they have contemplated the prospective takeover of Farmers by Axa.

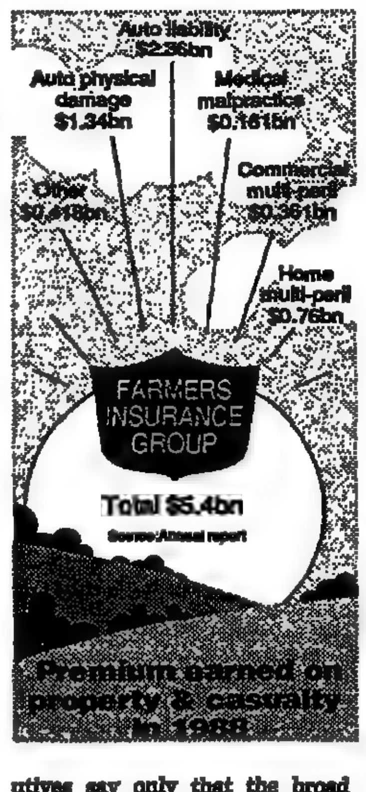
While Farmers has attempted to demonstrate the strains that Axa's debt burden might impose without any Prop 103 diversions, this heavily political background issue may yet be the final nail in the French coffin.

Understanding the difficult balance the insurance department officials are being asked to judge requires some grasp of Farmers' structure. Essentially, on the property and casualty side it manages three reciprocal insurance exchanges, where policyholders agree to share losses and expenses.

All the underwriting losses are concentrated in the exchanges and Farmers merely takes a management fee based on premiums. This shelters the management company from the rough and tumble of the underwriting cycle and creates a strong link between premium growth in the exchanges and Farmers profitability.

In theory, Farmers could take as much as 20 per cent of premiums earned on most policies. In practice, it has voluntarily opted for less in recent years, extracting between 12 and 13 per cent. This has left money in the exchanges and boosted their premium-writing ability.

Farmers is coy about revealing its financial state to the world in general. The 10 years before its acquisition by BAT in 1988 saw steady earnings growth and exec-



utives say only that the broad trend has continued, although the underlying picture is undoubtedly more patchy. The one figure released in the hearing was consolidated net income of $340m (£201m) in 1989. This compares with $368.3m in 1987.

But it is not so much the precise present state of Farmers that bears so critically on Axa's application, as the leeway that this implies for the future.

What has been presented is a complex situation in which short-term funding demands could be traded off against longer-term business needs. The French say that their funding plans – $2.25bn of 10-year debt to be paid off via dividends from Farmers and $2.25bn of two- to three-year loan notes, repayable from the sale of non-insurance assets in France – are not a problem. They have duly produced a model to prove it. But Farmers has retorted that if the underlying assumptions are changed just a little, problems emerge.

These arguments have been varied. One typical question, for example, is whether recent underwriting losses stemming in particular from bad weather in the Midwest and the recent San Francisco earthquake, might necessitate a top-up in the exchanges' surplus by the management company and whether Axa's funding arrangements would make this more difficult.

In the light of the recent experience, Mr Chuck Shultz, Farmers' chief financial officer, said that there was currently "no projected need for a capital infusion," but in reality the issue might require examination.

Axa's term loan, he maintained, could prevent Farmers from borrowing significant amounts. The exchanges' surplus was last topped up in 1986 via a $200m issue of Farmers stock, with the proceeds being lent on to the exchanges.

Axa retorts that the 1986 payment was exceptional and followed several years of high, double-digit premium growth. This, it points out, has dropped into single figures more recently.

Similar arguments rage over Farmers' plans for geographical expansion and a possible $300m computerisation programme set against the cost to the exchanges of tax changes envisaged by the French group and the higher projected dividend that Axa plans to take from the US group.

It is against these sort of questions that the implications of Prop 103 must be weighed. Neither Axa nor Farmers, for different reasons, are keen to play up the issue. But the concerns of insurance department officials – who are, after all, considering the future of the third-largest auto insurer in the US and the second-largest in California – have been patently different.

When the Price Waterhouse accountant who compiled the Axa projections took the stand, for example, it was the department's chief financial officer, Mr Norris Clark, who pointed to negative cash flow in the main acquisition company if the management fee dropped from 13 to 10 per cent. That, he conceded, would be a very large reduction, following some hypothetical cap on expenses.

With the collapse of Drexel – one of the investment banks involved in Goldsmith's earlier bid for BAT – forming a convenient backdrop, the defending camp may yet look back on February as the decisive month in the fight against the Hoylake bid.

Habitat UK to cut operations in bid to reverse likely losses

By Maggie Urry in London

HABITAT UK, the foundation of Sir Terence Conran's Storehouse retailing empire, is to cut drastically its UK operations in an attempt to reverse operating losses likely to reach £11m ($18.7m) in the current year. The hope is to staunch losses within 12 months and return the chain to profits within two years. Storehouse shares rose by 1p to 117p yesterday.

Twelve Habitat stores will be closed, affecting 400 jobs, mainly part-time, and reducing the chain's UK sales area by 40 per cent. Two weeks ago Storehouse said it was closing four of its six Heal's stores at a cost of £3m.

The Habitat closures include seven stores in edge-of-town locations, reversing Habitat's policy, adopted in 1987, of opening in such sites. Some of the remaining eight out-of-town stores will be reduced in size and three of four Habitat "inserts" in BhS stores will be closed.

Sir Terence opened the first Habitat in 1964 and sparked a revolution in home furnishings.

Sir Terence Conran

From Habitat he built the group that now includes BhS, Mothercare, Heal's, Richards and other chains. Last year the group's turnover was £1.2bn but the company has seen its profits plunge and has had to fight off a series of predators.

Mr Michael Harvey, chief executive of Habitat, said that the closure plan had been discussed at board level and Sir Terence had been in complete agreement. However, Storehouse conceded that it had been an emotional decision to make.

Mr Harvey said that trading in the Habitat UK chain had stabilised in recent months. However, he said, "with the present severe difficulties in the UK furniture and housing markets, this is not the time for half measures." When a chain was making losses of this size, he said, "you have to cut fast and deep."

Provisions of up to £14.5m before tax are being made to cover the costs of the closure programme, £3.5m of which is to cover costs of unassigned leases after the shops are shut.

Last November, when announcing interim losses at the group's home furnishings division, the group said it was providing £3m to cover costs of closing seven or eight stores. Since then, a new management team has taken a tougher approach.

SKF boosts earnings 63% to $405m

By Robert Taylor in Stockholm

SKF, the world's leading roller bearings company, yesterday reported a 62.6 per cent increase in 1989 profits from SKr1.52bn to SKr2.47bn ($405m). Sales rose 18 per cent to SKr25.1bn from SKr21.25bn.

There was a particularly strong performance in the fourth quarter, with post-tax profits of SKr684m and net sales totalling SKr6.6bn. This followed signs of a downturn in the July-September period.

The board proposed increasing the dividend to SKr4.25 a share from SKr3.50.

SKF said the main reason for the increase was continuing growth in the world economy in 1989, with rising demand for its industrial products.

The company also said the increase in profits stemmed from greater efficiency in SKF's production units, as well as from big rationalisation projects and an intensified focus on marketing.

SKF said it expected industrial production growth to be lower in 1990 but sufficient for the company to "maintain its current level of profitability."

The best performance came in SKF's bearings division, where profits almost doubled to SKr2.03bn from SKr1.21bn. There was also a strong showing in component systems, up to SKr328m from SKr209m. The only setback was in the machine tools area where profits fell back from SKr142m to SKr127m.

The company announced plans to invest SKr700m in a new rolling bearings plant in Malaysia for the south-east Asian market. It is expected to be in production by the end of next year.

SKF said the factory served its "long-term strategic goals by increasing manufacturing capacity in Asia."

E. German company ventures west

By Karen Fossli in Oslo

DYNO INDUSTRIER, the Norwegian chemicals and explosives company, and AHB-Chemie, the East German chemicals trading company, are to form a 50/50 joint venture company which is believed to be one of the first industrial initiatives in western Europe by an East German company.

The two companies announced yesterday that they plan to form a Belgian joint venture which will build a formaldehyde resin production plant in Gent to supply the particle board industry.

Though both companies refused to be drawn on details about investment and financing for competitive reasons, they suggested that the new Belgian company will have an annual turnover of $25m and will initially employ a manufacturing staff of 25.

The new resin plant, which will have an annual production capacity of 85,000 tonnes, is to replace deliveries from Dyno's SCM Dutch subsidiary, which is to be closed in summer 1991 and from Leuna Werk, AHB's production plant in East Germany. SCM produces about 25,000 tonnes of resin annually.

The two companies are finalising details of ownership ahead of signing a definitive agreement in April, while the new plant is to come on stream mid-1991.

Belgium is one of Europe's leading producers of particle board but imports all of its resin for this production. The Belgian market for resin is about 200,000 tonnes annually but Mr Nils Brunborg, project manager with Dyno, estimated that by 1991 this could increase to 230,000 tonnes. It is estimated that the new company will have about a 35 per cent share of the Belgian market.

Mr Kurt Falkenberg, the president of AHB-Chemie, said the joint venture is a way of stating confidence in the future of East Germany. Mr Hans Bjoentegaard, Dyno's president, explained that foreign currency exchange details were being worked out but stressed that there is a limit on how far his company can go in barter deals.

Mr Wolfgang Quietzsch, AHB-Chemie's vice-president, estimated that his company has an annual turnover of between DM18bn ($7.7bn) and DM15bn, and employs a staff of 1,300. In April the company will be 40 years old.

Dyno, which is the world's third largest producer of formaldehyde resin, had a turnover in 1989 of NKr6.2bn ($953.8m), and employs 6,000 people in 30 countries. This year Dyno is 125 years old.

STC grows partly due to pension surplus

By Alan Cane in London

STRONG performances in tough market conditions from all three of its operating divisions helped to lift 1989 revenues and profits at STC, the UK-based computers and telecommunications group.

But the profit figures were boosted by £36m ($61m) due to changes in accounting standards which allowed the company to benefit from a surplus in its main pension fund.

At the annual results meeting yesterday, Mr Roy Gardner, finance director, said that the company had been able to suspend pension contributions during the year, resulting in savings of more than £30m a year to raise profits for the foreseeable future.

Mr Walsh argued that funds for research and development had been increased by 25 per cent in 1989 and that this more than compensated for the pension fund windfall.

However, the share price fell five per cent from 262p to 248p immediately the results were announced.

Questions over the future of International Computers (ICL), its information technology arm, remained unanswered. Mr Edmund Fitzgerald, chairman of Canadian group Northern Telecom (NT) which holds just over 27 per cent of STC stock, came to the meeting to deny reports that NT intended to buy or sell STC shares.

Market speculation has linked ICL with several computer companies. Mr Walsh said that talks with potential partners were continuing.

ICL's revenues grew to £1.6bn with profits of £145.7m, making it one of the world's more profitable computer companies.

STC's preliminary results show pre-tax profits at £278m, 21 per cent ahead of 1988 figures and about £20m better than the City had been predicting. Turnover, at £2.6bn, was 11 per cent higher than the 1988 figure of £2.3bn.

Earnings per ordinary share rose 21 per cent to 31.7p. The directors recommend a final net dividend of 7.25p per ordinary share, making a total net dividend of 11p, up 22 per cent.

FTC drops investigation of Benetton's franchising

By Haig Simonian in Milan

THE US Federal Trade Commission has decided not to initiate proceedings into certain trading practices of Benetton, the Italian clothing group, bringing to an end an investigation launched in December 1988 following complaints by a number of US retailers.

The FTC's decision, taken earlier this month but only announced by the company yesterday, revolves around the question of whether Benetton is a franchiser as understood under US law, and the fairness of its US business practices.

Independent retailers, notably from Oregon and New Jersey, selling Benetton goods had taken legal action to show that the company indulged in unfair trading practices and violated certain franchise and other regulations applicable in the US.

While Benetton claimed its use of "independent sales representatives" negotiating with the retailers allowed it to maintain an arm's length relationship, the storekeepers claimed that the relationship was lopsided in favour of Benetton and the representatives.

Despite the fact that stores selling Benetton goods bear a close association with the company's products, Benetton makes much of the fact that its operation is not one based on franchising and that the retailers selling its goods enjoy considerable leeway in their operations.

Meanwhile, a US federal court in Oregon has rejected an attempt by Benetton, to have 18-month old complaints against it dismissed, Alan Friedman writes.

A trial has been set for August 14, when Benetton will have to answer charges that it violated parts of the Racketeer Influenced Corrupt Organisations Act by committing acts of mail and wire fraud and extortion in its dealings with store owners.

Benetton has always denied the charges, which stemmed from complaints filed by retailers who claimed they suffered breaches of contracts and state sales and franchise law violations by the Italian company. The company, whose chief executive resigned earlier this week, could not be reached for comment.

Mr Malcolm Hoffmann, the New York anti-trust lawyer who is acting against Benetton, said that, while the company had sought to dismiss the case, he was pleased that the Oregon court ruling "shows the allegations against Benetton practices are serious and must be resolved by a jury trial."

Wagons-Lits sees sharp fall to BFr1.2bn

By Tim Dickson in Brussels

COMPAGNIE Internationale des Wagons-Lits, the Franco-Belgian rail group synonymous with sleeping car comfort in Europe, yesterday announced somewhat uncomfortable results for 1989 as well as plans to seek a financial partner for its hotels division.

Wagons-Lits said last year's group share of consolidated net profits was likely to be about BFr1.2bn ($34.1m), against BFr2.68bn in the previous 12 months, though it pointed out that the 1988 figure had been inflated by significant extraordinary items.

Even taking this into account the company's profits appear on the evidence available yesterday to have fallen by around BFr200m over the period.

Wagons-Lits' plans for its hotels division – it intends to create a new subsidiary of all activities in the sector and find a "partner of its choice" by the end of this year – should be seen in the light of the similar strategy it has been pursuing in other areas.

In catering, for example, it has created a 50/50 joint venture with Sodexho and in car hire (Europcar) it has teamed up on the same basis with the Volkswagen group's Interrent.

Commenting on the car hire division, the group said yesterday that it "remains confident in the future."

Cadbury may challenge ASC

By David Waller in London

CADBURY SCHWEPPES, the confectionery and soft drinks company, is today likely to throw down the gauntlet to the Accounting Standards Committee (ASC) and announce that it intends to capitalise the value of acquired brands on its balance sheet without making any annual write-off against profits. The move could add hundreds of millions of pounds to the company's assets.

Cadbury, which today reports its figures for 1989, is keen to restore the value of its balance sheet after spending some £700m ($1.15bn) on a series of acquisitions last year.

There were large goodwill write-offs and analysts think that shareholders' funds now stand at £350-360m compared to borrowings of £440-450m, making it difficult for the company to make further large acquisitions without the inconvenience of seeking shareholder approval.

Cadbury is likely to argue that the value of the brands acquired last year – which include Trebor and Bassett – ought to be on the balance sheet, but ought not to be written off until such time as there has been a permanent and demonstrable diminution in that value, contrary to draft rules issued by the ASC early this month. This formula would be akin to that followed by other companies in the food and drinks sector, including Guinness, United Biscuits and Reckitt & Colman.

The company signalled its intention to value its brands when it bought the Crush fizzy drinks business last September for $220m.

Since then, however, the ASC has issued its exposure draft on accounting for goodwill and a technical release on brand accounting, which say that goodwill and brands should be on the balance sheet, but should also be written off against profits over a period normally not exceeding twenty years.

It is likely that the 100 Group of senior finance directors will come out publicly against the goodwill proposals next month.

Ifil rises on investment policy

By Haig Simonian

NET profits at Ifil, one of the main holding companies of Italy's Agnelli family, jumped by around 50 per cent to L82bn ($65.6m) last year according to preliminary results. Pre-tax earnings, which were not revealed, rose by about 40 per cent before extraordinary items, the company said.

The sharp increases follow a highly active investment policy by Ifil in the past two years, which has brought a sharp rise in the value of its investment portfolio to L2.258bn at the end of last year, against L1,446bn at the same time in 1988.

Among the new ventures have been a move into the hotel business through a joint venture with Accor, the French hotels and catering group, and the acquisition, in conjunction with BSN, the French foods group, of Galbani, Italy's leading producer of cheeses last July.

Ifil and BSN have been working together increasingly closely since 1987, when the two companies took shareholdings in each other. Last March they bought into Star foods, an Italian foods group.

The rise in earnings follows marked improvements in the performance of it's main investments in the past 12 months.

Turnover at Fiat, the motors and engineering group in which Ifil has a stake, rose by 18 per cent, while there have been double-digit sales increases at BSN, and in the group's investments in the Italian foods sector.

Among future plans are a further expansion of the group's hotel activities with Accor, with the construction or modernisation of hotels in Italy providing some 3,000 rooms.

Bull posts FFr267m loss following restructuring

By George Graham

BULL, the French state-owned computer group, has reported a net loss of FFr267m ($46.7m) for 1989, following a FFr405m provision for the cost of restructuring its operations and slashing its workforce.

The group had lost FFr537m in the first half of 1989, but recovered in the second half, where its sales are seasonally concentrated.

For the whole year, however, Bull's gross cash flow showed a decline of 19 per cent to FFr2.31bn.

Total sales rose by 4 per cent to FFr32.72bn, excluding the Zenith computer division, which Bull agreed in October to buy for up to $635m, subject to an audit of the division's asset value.

Zenith Electronics, from which it bought the division, announced last week that it was involved in a "major dispute" over the final price to be paid, following a sharp deterioration in the business in December.

Mr Francis Lorentz, Bull's chairman, said that Zenith had been fully taken over and was operationally integrated into the group's organisation, but that there was still a disagreement between Bull and Zenith over the net asset value of the company, which would affect the price paid.

"In any hypothesis, the value will be around $500m, but there is a divergence of view on the value of the business and the value of the stocks," Mr Lorentz said.

"Either we will reach agreement in the next 15 days, or it will go to arbitrage as foreseen in the purchase agreement," he added.

Bull said it had doubled its sales last year of systems using Unix, the computing standard devised by AT&T, of which the French company has been one of the leading advocates.

Mr Lorentz said the situation of the computer market was difficult, but also presented an opportunity for Bull. "The market is not fundamentally saturated," he said.

SecPac appoints chief to reshape investment arm

By David Lascelles, Banking Editor

SECURITY PACIFIC, the Los Angeles-based banking group, took its plans to reshape its investment banking activities a stage further by appointing a president and chief executive officer for Security Pacific Alliance, the holding company for those activities.

He is Mr Donald Johnson, vice chairman of Burns Fry, SecPac's Canadian stockbroking affiliate.

Under the Alliance plan, SecPac intends to sell 51 per cent of its holding in its three main investment banking and brokerage affiliates to their staff. These are Burns Fry, Hoare Govett in the UK, and Hoare Govett Asia. This may be done in stages with a stake of 25 per cent being sold initially.

The change reflects Security Pacific's cooling interest in investment banking, and its desire to funnel future growth into the domestic US market.

Mr Peter Vose, the head of Security Pacific's London operations, denied the plan entailed cutbacks in Hoare Govett's European business.

INTERNATIONAL COMPANIES AND FINANCE

Turner sues Drexel over alleged securities breach

By Janet Bush in New York

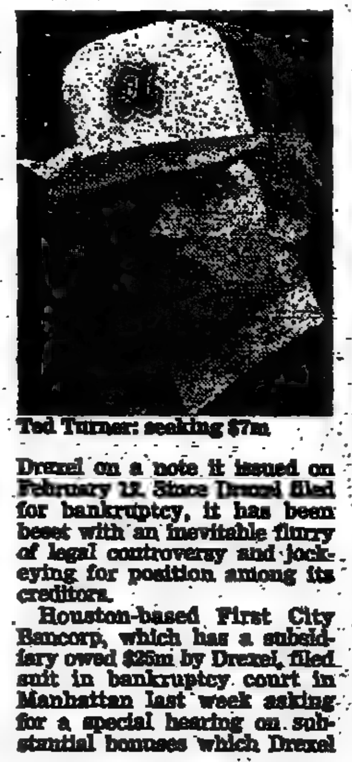
TURNER Broadcasting System, the cable television empire of Mr Ted Turner, yesterday filed suit against Drexel Burnham Lambert alleging fraud and securities violations.

Turner Broadcasting, which bought nearly $10m worth of short-term debt from Drexel shortly before the Wall Street house filed for bankruptcy protection two weeks ago, alleges that Drexel failed to disclose its deteriorating financial position.

The company is asking for $7m in compensatory and punitive damages in the suit filed in the federal court in Atlanta because the debt – in the form of promissory notes, which are written promises to pay a specific sum of money on a certain date – has not and will not be paid.

On January 24, Turner Broadcasting bought a $4.96m Drexel promissory note due on February 23 and another worth $4.99m on February 11, two days before Drexel filed for Chapter 11.

The company said in its filing that it did not intend to pay $8m which it owes to Drexel on a note it issued on February 12. Since Drexel filed for bankruptcy, it has been beset with an inevitable flurry of legal controversy and jockeying for position among its creditors.


Ted Turner: seeking $7m

Houston-based First City Bancorp, which has a subsidiary owed $25m by Drexel, filed suit in bankruptcy court in Manhattan last week asking for a special hearing on substantial bonuses which Drexel paid to executives shortly before it collapsed. The hearing is scheduled for tomorrow.

Creditors had a conference call on Monday to discuss strategy and were expected to meet yesterday with Mr Harold Jones, the US trustee who is overseeing the Drexel bankruptcy.

Of particular interest at this stage of the proceedings is whether funds placed by the parent company into its subsidiaries can be recovered.

● Drexel Burnham Lambert has moved in the federal court to have an oversight committee of independent directors expand its role to oversee the liquidation of Drexel's assets, AP-DJ reports.

The oversight committee was formed in 1989 as part of Drexel's settlement of charges by the Securities and Exchange Commission.

As set up by the SEC, the oversight committee was meant to watch over the operations of Drexel and its subsidiaries. The committee's duties include control over the use of assets and other business matters.

Drugs group in court move to scrap joint venture with Bolar

By Karen Zagor in New York

BOLAR Pharmaceutical, the stricken US generic drug manufacturer, is being sued by KV Pharmaceutical to dissolve and liquidate a joint venture between the two companies to market certain generic drugs.

Bolar was one of the most successful generic drug makers before it was forced to recall most of its products in January in the wake of investigations by the Food and Drug Administration (FDA).

The suit charges that the company is incapable of "performing its obligations under the joint venture agreement and has engaged in conduct that will prejudice the joint venture's business."

The joint business was formed last year and was to run until at least 2001.

Bolar's credibility as a drug maker has been undermined by allegations that the company falsified lab-test results and used the results in FDA applications to market its drugs.

Bolar is also being charged by the Securities and Exchange Commission (SEC) with failing to notify investors promptly after it suspended delivery of more than 70 drugs in February.

Bolar shares plummeted $1⅛ to $5⅝ at midday yesterday in New York. As recently as January, Bolar's issues traded in a range of $15⅞ to $19, and were as high as $32¼ last year.

KV, a St. Louis-based pharmaceutical company which pioneered controlled-release drug delivery, is claiming damages against Bolar of more than $149m.

However, the company said it would settle its claims and dismiss the litigation if Bolar dissolved the joint venture, released KV from obligations to Bolar or to the joint venture and paid KV $187,500 for reimbursement of KV's share of packaging charges which were allegedly inappropriately deducted by Bolar.

Bolar said it had advised KV's representative that Bolar "intends to take all appropriate action to enforce its rights under the joint venture agreement."

In 1989 Bolar sold two products under the pact with KV. The two accounted for about 3.6 per cent of Bolar's net sales and 3.3 per cent of income before taxes and special items, excluding previously announced recalls.

Bolar also said yesterday that it was being sued on a class action basis in the Federal District Court of New York for alleged "fraud and deceit and negligent misrepresentation, in connection with the company's alleged failure to disclose its decision to suspend shipment of its products from February 5 through February 7."

Good year for US retail duo

By Roderick Oram in New York

WAL-MART Stores and Woolworth, two leading US retail chains, have reported sharply higher results for last year and forecast further growth for this year.

Wal-Mart, the third largest group after Sears, Roebuck and K mart, turned in net profits for the fourth fiscal quarter ended January 31 of $425.9m, or 76 cents a share, against $353.2m, or 57 cents, a year earlier. Sales rose 24 per cent to $8.11bn from $6.55bn.

For the full fiscal year, net profits rose to $1.08bn, or $1.90 a share, from $837.2m, or $1.48. Sales rose 25 per cent to $25.81bn from $20.65bn. At year end, it had 1,528 stores, up 11 per cent from 1,379 a year earlier. Sales revenues of existing stores grew 11 per cent during fiscal 1989.

Mr David Glass, president, said Wal-Mart planned further "aggressive expansion" this year.

Based in Arkansas and heavily concentrated in the Midwest, south-east and south-west, the company is beginning to open stores in the north-east and far west. It plans, for example, to open some six to 10 stores in California this year.

Woolworth reported net profits of $175m, or $2.73 a share, for the fiscal fourth quarter ended January 27 against $144m, or $2.23 a year earlier. Sales rose 9.8 per cent to $2.6bn from $2.36bn.

For the full fiscal year net profits were $329m, or $5.11, against $288m, or $4.47. Sales rose 9.1 per cent to $8.82bn from $8.09bn. All but one of its divisions, Richmann Brothers, a small menswear chain, improved their performances last year.

The group's German subsidiary benefited significantly from the opening of the East German border in November. At the beginning of the fourth quarter, the subsidiary's profits were down slightly from year earlier levels. However, for the year it turned in operating profits of $78m against $70m.

East Germans "had quite a meaningful impact on sales," a Woolworth official said. Initially they poured into the group's stores in West Berlin for goods they could not buy in East Germany. Buying has since spread to its stores all along the border.

The West German operation consists of 223 general merchandise stores and 163 speciality stores.

Southam and Torstar cautious

By Robert Gibbens in Montreal

TWO OF Canada's largest publishing groups have reported strong gains in profits for 1989, but warn the economic slowdown may adversely affect 1990 results.

Southam's earnings were up 56 per cent in the fourth quarter, to C$31.1m (US$26.1m) or 54 cents a share, and for the full year ahead 21 per cent to C$88.1m, or C$1.50 a share on revenues of C$1.7bn, a rise of 7 per cent.

Most of the gains came from the daily newspaper group and from its book-selling subsidiary. Southam has been restructuring to improve profits and discourage possible predators.

Torstar, publisher of the country's largest single newspaper, The Toronto Star, reported fourth-quarter earnings up 21 per cent to C$26.6m or 68 cents a share, and for the year up 9 per cent to C$94.6m or C$2.39 a share on a 3 per cent gain in revenues to C$982m.

The strength came from its 22.4 per cent equity in Southam and from its Harlequin book-publishing subsidiary. A shareholder agreement allowing cross-holdings between Southam and Torstar runs out in June.

● Moore, the world's largest business forms producer, benefited from lower paper prices and posted peak earnings of US$201.7m, or $2.15 a share, for 1989, up 8 per cent from 1988. Sales gained 6 per cent to US$2.7bn. The annual dividend is being raised from 88 cents a share to 94 cents.

● Cascades, a big pulp and paper products group with subsidiaries in Europe, Sweden and the US, earned C$29.9m, or 62 cents a share, for 1989, down 13 per cent from 1988, due to lower selling prices. Revenues gained 16 per cent to C$681m.

● Teck Corp, the western mining group which owns half the rich Page Williams gold producer in northern Ontario, earned C$106.4m, or C$1.31 a share, in 1989, up from C$105.4m, or C$1.34 in 1988, on fewer shares outstanding.

Revenues went ahead by 19 per cent to C$414m. Teck also has a 21 per cent direct interest in Cominco.

Overseas earnings bolster Ford of Canada's income

By Bernard Simon in Toronto

HIGHER overseas earnings helped Ford Motor Company of Canada, 94 per cent owned by the US manufacturer, to offset a drop in Canadian profits and report a 16 per cent increase in net income last year.

Earnings climbed to C$314m (US$263.9m), or C$37.87 a share, from C$269.8m, or C$32.54, in 1988. Total sales declined to C$15.3bn from C$15.9bn. The Canadian subsidiary has responsibility for Ford's Australian and New Zealand operations, whose income soared by 69 per cent last year to C$149m. A sharp downturn in Canadian and overseas operations took place in the fourth quarter, with net income dropping to C$24.1m, or C$2.90, from C$113.3m, or C$13.67, a year earlier.

The company blamed the reversal on sliding vehicle sales and higher marketing costs in Canada, and higher costs and unfavourable exchange rates abroad.

Canadian banks hit by low interest repayments

By Bernard Simon in Toronto

LOWER interest payments by Third World debtors dampened first-quarter earnings at Bank of Nova Scotia and Bank of Montreal, Canada's third and fourth biggest banks.

BNS's net income fell slightly to C$148.1m (US$124.5m), or 71 cents a share, from C$151m, or 78 cents a share. Net interest income dropped to C$489.6m from C$498.3m, as rising interest rates pushed up interest charges faster than receipts. Among Canadian banks, BNS obtains a relatively large proportion of its funds from the wholesale market.

Assets grew by 10 per cent to C$83.4bn, including a 21 per cent jump in mortgages. BNS overtook Bank of Montreal last year as the country's third biggest bank, but its return on average assets slipped from 79 cents to 72 cents per C$100.

Earlier this week, Moody's, the US credit rating service, downgraded BNS's senior debt from double-A2 to double-A3 because of the bank's exposure to US real estate and leveraged buyouts.

Despite almost unchanged net interest income, Bank of Montreal posted a rise in net earnings to C$179.6m, or C$1.50 a share, for the three months ended January 31, from C$150.2m, or C$1.38 a share a year earlier.

Assets at the end of January were C$80.1bn, up from C$76bn, reflecting double-digit growth in Canadian mortgages and other Canadian loans. Return on assets advanced from 77 cents to 89 cents per C$100.

BMO said that its earnings were skewed by the impact on its Brazilian subsidiary of adjustments to take account of high inflation in that country. Under present accounting rules, these adjustments are charged to shareholders' equity, whereas BMO feels it would be more equitable to make them a charge against income. Adjusting for the Brazilian unit, BMO earned C$140.8m in the first quarter, up 17 per cent from the previous year.

Almost one fifth of BMO's income came from its Chicago-based subsidiary Harris Bankcorp, which reported net income of US$28.8m.

Neither BMO nor BNS made any new provisions for their Third World debt in the first quarter, after adding substantial amounts last year.

Troubled Texas bank group to sell subsidiary

MCORP, the Texas-based banking group which entered Chapter 11 bankruptcy proceedings on March 31 last year, is to sell its MBank El Paso subsidiary to a private investor group led by the bank's management, Reuter reports.

MBank El Paso had assets of $1.1bn and deposits of $842m at December 31, 1989.

The sale is for an undisclosed amount of cash in redemption of all the issued and outstanding stock of MBank El Paso. Subject to bankruptcy court approvals, it is expected to be completed before September 30, 1990.

INTERNATIONAL COMPANIES AND FINANCE

Clash pushes Whitlam to quit bank

By Chris Sherwell in Sydney

AN ACRIMONIOUS clash of personality, principle and practice has split asunder the high-profile duo at the helm of the eponymous Australian investment bank Whitlam Turnbull.

Mr Nicholas Whitlam, 44-year-old son of ex-Prime Minister Mr Gough Whitlam and former head of the State Bank of New South Wales, resigned as managing director of the bank on Monday.

His erstwhile colleague, 35-year-old Mr Malcolm Turnbull – the former lawyer who in 1986-87 successfully defended author and former spy Mr Peter Wright against the UK Government's attempts to stop publication of his book, *Spycatcher*, about MI5 activities – will stay with the business.

Mr Whitlam is selling his stake to Mr Turnbull and Mr Neville Wran, a former New South Wales state premier who is also staying on. The three controlled 75 per cent of the bank, with the remainder held by B&C, the UK finance house.

B&C acquired its 25 per cent share in mid-1988 after Mr Kerry Packer sold his interest. Mr Packer, for whom Mr Turnbull had worked both as a journalist and lawyer, was one of the bank's original backers when it started up a year earlier. So too was the late Mr Larry Adler of FAI Insurances, whom Mr Packer subsequently bought out.

Neville Wran (left) and Malcolm Turnbull: to head bank with new name, following departure of co-founder Nicholas Whitlam

Inevitably, B&C's Mr John Gunn has been closely involved in the wrangle. Although B&C is staying on as a shareholder, it is thought to have negotiated better terms for repayment of the A$10m (US$7.7m at current rates) injection it initially provided through a preference share issue.

Behind the Whitlam-Turnbull split lie differences in approach to the investment banking business, with Mr Whitlam preferring "relationship" banking and Mr Turnbull orientated more to transactions. Additional rancour arose over an alleged lack of teamwork and over bank administration. With Mr Whitlam and Mr Turnbull joint chief executives, in the end it was a question of whether one or the other would leave.

Mr Wran seems to have sided with Mr Turnbull, and the expectation now is that other senior staff will leave.

Whitlam Turnbull made its partners considerable sums of money by charging high fees for work on several high profile matters – among them Mr Packer's current audacious bid for Bond Media, the Western Australian Government's difficult dealings with the collapsed Rothwells group and the Bond empire, Mr Warwick Fairfax's financial woes after acquiring the John Fairfax newspaper group and the failed Ranks Hovis MacDougall takeover of food giant Goodman Fielder Wattie.

It was unclear yesterday what name the bank would adopt under Mr Turnbull and Mr Wran. Nor is it known what Mr Whitlam will do next, although the terms of his departure allow him to continue in the investment banking business.

NZ Equities calls in receiver

By Terry Hall in Wellington

RECEIVERS were appointed yesterday to New Zealand Equities (NZE), the company which had the best performing stock on the New Zealand bull market of 1984.

NZE's Hong Kong associate Paladin has been involved in a bitter takeover battle with Taiwanese interests.

The company borrowed heavily to finance a string of big purchases including that of UEB Industries, a leading packaging and carpet concern which it bought from NZ Forest Products immediately before the stock market crash in October 1987.

This caused severe liquidity problems and NZE desperately sought to restructure itself mainly by selling UEB's assets. It faced bitter court action when it attempted to wind up the staff superannuation scheme, directing some NZ$6m (US$3.5m) of employers' contributions back to the parent company.

In 1988 NZE attempted to ease its financial problems by merging with its successful Hong Kong associate Paladin, which it had launched in 1985 for international investing purposes.

In 1989 Taiwanese interests, through a company known as Laissee, or Lucky Money, set out to frustrate the takeover and acquired a shareholding. This led to a protracted series of international legal hearings in the Bermudan, Hong Kong and New Zealand courts.

Last week Mr Peter Francis, NZE chief executive, said that negotiations were advancing towards a settlement which would leave Laissee with a substantial holding but NZE with control. Increasing financial pressures on NZE became evident this month when Mr Peter Stiassny of Touche Ross, the accountancy firm, was made receiver of its subsidiary Packaging House, a national distributor of adhesives and packaging materials. Packaging House owed unsecured creditors some NZ$6m.

Yesterday Mr Stiassny was also appointed receiver of NZE, Asia Pacific Trading Corporation and UEB Industries.

There was speculation yesterday that New Zealand Equities Futures, a profitable subsidiary, would be sold by the receivers shortly. NZE owns 66 per cent of the company, which was formerly known as Anthony Marquet, a founding member of the New Zealand Futures Exchange.

Elderbank to give up bank licence

By Terry Hall

ELDERBANK, the New Zealand banking operation of Elders IXL's finance subsidiary, yesterday confirmed it was to retrench its operations and relinquish its banking licence.

It said this followed an unsuccessful search for a buyer willing to continue to run the company as a going concern to protect jobs.

The decision was expected and follows speculation that the Australian parent was seeking to wind down and sell many of its New Zealand operations to improve liquidity.

Late last week the company suddenly cancelled a meeting at which it had been expected to announce plans to sell the forestry operations of Elders Resources and possibly the company's substantial New Zealand stock and station agency business.

Elderbank was an ambitious attempt by Elders to become a leader in New Zealand investment. It spent large sums acquiring and establishing a finance company, a Treasury, a foreign exchange and a share-broking operation. Last November, in what Elderbank said was an overall contraction in the industry, it said it was moving away from lending and Treasury activities to focus on investment banking.

The bank sold its broking operation Francis Allison Symes. Yesterday, Elderbank said its Treasury would cease trading in new foreign exchange and futures contracts. All existing contracts would be honoured, but the company would reduce its assets from the current level of some NZ$214m (down from NZ$350m in November) to NZ$50m (US$29m). The rural finance subsidiary would continue to operate through Elders Pastoral.

Elders said last year that its banking licence, one of 21 issued to registered banks, was a "tangible sign of Elders' commitment to New Zealand."

Special gain boosts Amcor

By Chris Sherwell

STRONGER EARNINGS from two divisions, with abnormal gains from cutting its stake in transport group Mayne Nickless, have ensured an interim profits rise for Amcor, the Australian paper and packaging group.

Figures released yesterday showed an after-tax equity-accounted profit of A$104.1m (US$80m) for the six months to December, up 26 per cent from the A$82.8m reported in the corresponding period the previous year. Sales revenues climbed 31 per cent to A$2.17bn.

The profit figure includes A$35m in contributions from associated companies, of which the most important was Mayne Nickless. Also, Amcor's reduction in its shareholding from 43.6 per cent to 38.6 per cent yielded a profit of A$21.8m.

Regarding mainstream operations, the group said the results reflected the impact of high interest costs, continued tight margins in the domestic packaging market and a general slowdown in economic activity at the end of 1989.

The packaging division remained the biggest contributor to profit and sales. But whereas sales soared from A$670m to A$1.02bn, profits before interest and tax only moved from A$77m to A$83m, mainly reflecting losses made by APM Packaging in its battles with the Smorgon group, which have now been resolved.

By contrast, Australian Paper Manufacturers, the paper and pulp division, sharply increased its contribution to profit before interest and tax from A$41m to A$58m. The withdrawal of the Smorgon group from paper manufacturing was a principal reason.

The contribution to profit from Brown & Dureau, the trading and distribution division, also surged, from A$12m to A$20m. This was due mainly to the acquisition of Edwards Dunlop, which helped the division's sales spurt to A$326m from A$180m.

During the period Amcor bought three corrugated box plants from Smorgon, and Twinpak, a Canadian plastics manufacturer. Sales of assets and investments realised A$70m, and another A$230m was raised through a successful one-for-eight rights issue.

Earnings per share were 25.6 cents, up from 22.3 cents, and directors lifted the interim dividend to 13 cents, franked to 9.75 cents, compared with 12.5 cents previously.

● Pancontinental Mining, the Australian resources group, yesterday reported a surge in first half equity accounted net profits to A$21.69m from A$13.85 previously, on sales A$13.42m ahead at A$81.73m, Reuter reports from Sydney.

Commenting on the results, the group said: "Coming off a sound financial base of strong cash flow from the coal and gold operations, [and with] new projects in tantalum and base metals, the company continues to demonstrate a strong growth trend."

Production from the Siguiri gold mine in Guinea, West Africa, rose to 21,801 ounces from 10,089 ounces. The A$10m Pan West tantalum mine in Western Australia opened on schedule last Friday.

Earnings per share advanced to 13.1 cents from 8.4 cents.

Grasim takes a quiet leap up the ranks

Gita Piramal on the Indian company's moves to grow and diversify

Without fuss or flamboyance, Grasim Industries, which commands 90 per cent of the Indian market for viscose staple fibre, has set out on a massive Rs24.2bn ($1.44bn) diversification programme.

Spread over the next four years, the company proposes to invest heavily in oil refining, petrochemicals, iron and steel, hydrogen peroxide and glass shells for television sets.

Perhaps the most exciting of these new ventures is a Rs8.62bn refinery planned at Mangalore, in the state of Karnataka. Conceived more than five years ago, the project was put on the back burner while government planners dithered over the root question of how many refineries India needed in the eighth economic plan, which runs from 1991-96.

Last month Mr V.P. Singh's Government cleared the controversial project. The refinery, a joint venture between Grasim and the public sector Hindustan Petroleum Corporation, envisages the refining of 3m tonnes per annum (tpa) of crude oil.

The project report which Grasim has submitted to the Government links the refinery to a naphtha cracker capable of producing 150,000 tpa of ethylene and several downstream products. "All over the world, the latest concept is that petrochemicals complexes should be built near refineries, not only because surpluses and by-products can be utilised effectively, but also because of significant reduction in capital costs," says Mr M.C. Bagrodia, Grasim's senior executive president.

However, the Government has not decided yet on the Mangalore refinery's Rs6.78bn petrochemical complex. If approved, it would enhance the refinery's profitability.

But Mr Aditya Birla, Grasim chairman, says: "Even without the naphtha cracker, we are still keen on the refinery. We will not wait for the cracker to be sanctioned." He points out the host of technical collaborations which Grasim has tied up for the project, and a clutch of senior appointments to technical and managerial positions. "We are fully prepared once the Government gives all the clearances."

Although the Mangalore refinery has progressed slowly, the case is the opposite for Grasim's second most ambitious greenfield venture: a Rs4bn, 600,000 tpa gas-based sponge iron plant at Raigad, in Maharashtra. This month Grasim signed an agreement with Kudremukh Iron Ore Company for its supply of pellets.

Technical collaborations with Davy Dravo of the US and Mexico's Hylsa, and a gas allocation deal with India's Oil and Natural Gas Commission, have already been tied up. The plant is expected to be commissioned in the second quarter of 1992.

And Grasim is mapping out a blueprint for the sponge iron plant's forward integration by applying for permission to build a Rs3bn plant to make 150,000 tpa of hot rolled coils.

Meanwhile Grasim is looking at a Rs300m project to manufacture hydrogen peroxide. Currently Mr Nusli Wadia's Bombay Dyeing is India's sole manufacturer of this gas. But with the aggressive Delhi-based Thapar group also interested in such a venture, there may not be sufficient demand for three such plants.

The only project for which prospects look somewhat dim is a Rs2.5bn proposal to manufacture glass shells for colour televisions. This month a Grasim team flew to Japan to negotiate a tie-up with Asahi Glass, but with the bottom falling out of the Indian colour television market, Grasim may drop the idea.

If only half these projects are built, Grasim, with yearly sales of Rs8.35bn, will leap upward in terms of assets, sales, staff numbers and range of operations.

INTERNATIONAL CAPITAL MARKETS

World Bank 10-year deal leads spate of new issues

By Norma Cohen

A RECOVERY in world government bond markets – aided by surprising weakness in a key US economic indicator – yesterday triggered a spate of new Eurobond issues.

The largest of these was a Y50bn 10-year issue for the World Bank, the borrower's largest such deal in that currency in several years. The recent rises in Japanese interest rates, while knocking down equity prices sharply in Tokyo, has whetted the appetite of foreign investors in Euroyen deals for the first time in years. In addition, the Japanese authorities' apparent determination to underpin the yen through intervention in currency markets has reinforced that view.

The World Bank's deal, lead managed by Nikko Securities, carries a coupon of 6¾ per cent and was priced at 101.125 for an effective annual yield of 6.84 per cent after a full discounting of fees.

While dealers said they believed the size of the issue might make placement somewhat problematic, they termed the pricing appropriate. The deal was seen trading at a discount equal to full fees late in the day. However, the issue's launch prompted a sharp drop in the European Investment Bank's 10-year 6¾ per cent Euroyen bonds launched only last week. By the end of the day, the bonds were seen well outside their fees, trading at three points below the issue price – a level indicating that the lead manager had decided not to support the issue in the face of heavy selling.

Traders noted that the EIB securities, at a discount equal to fees, offer 15 basis points

INTERNATIONAL BONDS

less in yield than yesterday's World Bank deal. They reported wholesale switching out of the EIB issue into the new World Bank bonds.

Meanwhile, the Halifax Building Society, the UK's largest, launched a 5-year $200m Eurobond carrying a coupon of 9⅝ per cent and priced at 101.70 to yield 85 basis points over comparable US Treasuries. Proceeds were said to have been swapped into floating-rate sterling. The swap caused some puzzlement among dealers who noted that the Halifax might only have achieved funds at 10 to 12 basis points over London interbank offered rates at current rates.

Also, Deutsche Bank Capital Markets announced it would launch a $250m 10-year Eurobond for Unilever Capital Corporation, Delaware. The AAA-rated bonds will be issued as a fixed-price re-offer, the company's first such borrowing in this manner.

The lead manager said the bonds were indicated to yield 65 to 67 basis points over Treasuries at launch.

In the equity warrants market, the recovery in Tokyo stock prices early yesterday allowed the launch of a $250m deal for Mitsubishi Oil Co via Yamaichi Securities. The bonds carry a fixed coupon of 2⅜ per cent with other terms to be fixed on March 5. Yamaichi said it had chosen to fix the coupon in order to reassure investors who are used to seeing indicated coupons cut by up to ½ point upon fixing. However, the lead manager acknowledged that recent turbulent market conditions had forced the coupon up by at least ¼ points. Late in the day, the deal was seen outside fees at 96⅝ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
World Bank(f)◆	50bn	6¾	101⅛	2000	1⅞/1⅛	Nikko Secs. (Europe)
Postipankki(e)◆	5bn	6½	101⅛	1992	1⅛/⅝	Nippon Credit Int.
Postipankki(e)◆	1.5bn	9¼	101⅛	1992	1⅛/⅝	Nippon Credit Int.
US DOLLARS						
Halifax Bld. Society(f)◆	200	9⅝	101.70	1995	1⅞/1¼	IBJ Int.
Mitsubishi Oil‡	250	2⅜	100	1994	2¼/1½	Yamaichi Int. (Europe)
SWISS FRANCS						
Royal Hotel(a)★★§	200	Zero	100	1994	1⅞	Banca del Gottardo
Mitsubishi Oil(b)★★§	200	Zero	100	1994	1⅞	Credit Suisse
Fuji Co.(c)★★§	100	Zero	100	1994	1⅞	Banca del Gottardo
ECUs						
ASLK-CGER-IPICO(d)‡◆	20	-20bp	100	1993	5bp	Mitsui Finance Int.

★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Put option 31/3/92 at 108⅞ to yield 4.253%. b) Put option 31/3/92 at 108⅛ to yield 3.9%. c) Put option 28/2/92 at 108½ to yield 4.264%. d) 20bp under 3-month Libor. Non-callable. Put option on coupon dates at 100. Unlisted. e) Nikkei stock index linked redemption. f) Non-callable.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	97⅛	97⅝	+0⅛	+0⅛	9.17
Alberta 9⅝ 95	600	100⅞	101⅛	+0¼	+0¼	9.12
Austria 9⅝ 93	140	†101⅜	101⅞	-0⅛	0	8.98
B.F.C.E. 8⅝ 94	175	97⅜	97⅞	+0⅛	+0⅛	9.02
B.F.C.E. 9⅛ 95	150	†100	100⅛	0	0	9.17
Brit. Tel. Fin. 9⅝ 96	250	†99⅞	100⅜	+0⅛	0	9.34
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99⅜	0	-0⅛	0.07
Canada 5⅜ 93	60	96⅛	96⅜	0	0	6.88
Cr.Local France 6⅛ 94	300	96⅛	96⅜	0	-0⅛	6.58
Denmark 6⅛ 95	300	96⅛	96⅜	-0⅛	-0⅛	6.60
E.I.B. 4⅝ 93	30	94⅛	94⅝	0	+0⅛	6.86
Norway 5⅛ 95	50	92⅛	92⅝	-0⅛	-0⅛	6.92
[illegible]						

OTHER STRAIGHTS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

SWISS FRANC STRAIGHTS [illegible]

CONVERTIBLE BONDS [illegible]

* No information available–previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Borrowing fell sharply in 1989 says OECD

By Norma Cohen

BORROWING on international capital markets declined significantly in 1989, with syndicated credits showing a 25 per cent drop to about $97bn, according to a report from the Organisation for Economic Co-operation and Development.

The report, summarising market trends over the last year, also noted that spreads on international bank loans have generally been rising, a trend long awaited by bankers. Among borrowers in OECD countries, the average spread rose to 41 basis points in 1989 from 31 in 1988 while the average maturity rose to 5 years 11 months from 5 years 1 month. Among eastern European borrowers, the average spread rose more sharply to 52 basis points from 30 the year before.

The OECD concluded that the institution of new capital adequacy guidelines for banks had increased resistance on the part of lenders to fine pricing.

However, other market developments also account for the wider spreads on loans. Many of the so-called "better borrowers," particularly the best-rated sovereign and corporate entities, have found it cheaper to raise funds in the bond markets. Also, the easing of domestic regulations and the development of new domestic markets has increased the attractiveness of these markets and reduced demand for international borrowings, leaving some lesser credits to seek funds internationally.

Finally, much of the demand for international syndicated loans has come from corporate restructurings which tend to be longer loans having wider spreads.

Also showing a sharp drop were medium-term borrowing facilities, a category which includes both committed and uncommitted credit lines. These fell 30 per cent in 1989.

Among Euro-commercial paper programmes, volume fell about 30 per cent in 1989, in spite of several innovations. However, the OECD notes that activity strengthened sharply in the fourth quarter of last year to its highest quarterly level since the peak period in early 1988.

Yugoslavia removes SE dust sheets

YUGOSLAVIA'S stock exchange resumed trading today for the first time since the Second World War, but only four traders showed up, Reuters reports.

The Yugoslav Capital Market opened in a small room on the ninth floor of a Belgrade office block under reforms launched by the Government to revive Yugoslavia's economy.

Trade was restricted to treasury bonds issued by the government of Serbia, Yugoslavia's biggest republic. So far only four banks have permission to operate on the exchange but four more are keen to do so.

Dealers shouted over a table, prices were written on a blackboard in chalk and no electric screens were used. The volume of trading reached only 250,000 dinars and trading will initially take place just once a week.

But similar exchanges are due to open this year in Zagreb, the capital of Croatia, and Ljubljana, the Slovenian capital, and the Belgrade exchange declared its first day a success.

Mr Branislav Cosic, deputy director of the exchange, said he hoped dealing in stocks and shares in Yugoslav companies would start very soon, but declined to say when. Trade in shares of large foreign companies was a long-term aim.

He expected the stock exchange to blossom because reforms relaxing tight state controls on Yugoslav companies should encourage them to issue shares and bonds. He hoped daily trading would begin soon.

The 12-year treasury bonds offered yesterday carried coupons of 8 per cent to 10 per cent, compared with annual inflation of around 2,000 per cent. The Government hoped to restrict inflation this year to an average of 13 per cent each month, Mr Cosic said.

Santander aims fund at Spanish investors

BANCO Santander is to launch a fund aimed at Spanish investors in the British, US and Far East markets, Reuters reports.

Royal Bank of Scotland, Kemper Corporation and possibly Nomura Securities will act as advisers to the fund, called Fondo BSN Global.

The size of the fund has yet to be set.

INTERNATIONAL CAPITAL MARKETS

Row escalates between French and DG Bank

By Andrew Fisher in Frankfurt

THE DISPUTE between French banks and Deutsche Genossenschaftsbank (DG Bank) erupted into a major international row yesterday, with the West German institute flatly denying all obligation to buy back any of the DM6bn ($3.5bn) worth of securities sold to customers in France on a cash and forward basis.

The French banks contend that DG Bank, the umbrella bank for the German co-operative banks, had agreed to repurchase the bonds at a set price. The value of the securities has fallen sharply in recent weeks as bond markets have suffered from currency and interest rate fears.

DG Bank has already set aside DM280m in its 1989 accounts, in case it is legally required to buy back the German bonds. If the present market weakness persists, it may have to provide the same amount again this year, bringing the total to nearly DM600m. "This would be a worst case scenario," Mr Bedo Panner, board member for legal matters, said yesterday at a specially convened press conference.

DG Bank, the eighth largest bank in Germany, has already fired its chief bond trader, Mr Friedrich Steil, over the affair and suspended another dealer, Mr Hanspeter Oeschger. The Frankfurt prosecutor's office is investigating Mr Steil and "persons unknown" for possible fraud and breach of trust.

Mr Helmut Guthardt, DG Bank's chief executive, said he was confident that the German bank was legally correct in refusing to buy back the securities. These are in two blocks of some DM3bn each, one concerning forward sales at an agreed price and one for cash.

"We think we hold good cards," Mr Guthardt said. He charged French banks with starting a "financial war" over the affair, which had developed because of the recent rise in interest rates and a corresponding fall in the securities' value.

The French banks refer to verbal promises from Mr Steil that DG Bank would repurchase at the original price the DM3bn of securities sold to them for cash. Mr Panner said French banks were also refusing to honour the forward deals unless the German bank immediately repurchased these securities at the former price.

DG Bank did not name the French banks. But of the six involved in the forward transactions, one is understood to be Société Générale Alsacienne (Sogenal). Three French credit institutes bought bonds for cash, one thought to be Banque Nationale de Paris. Crédit du Nord and Caisse des Dépots are also believed to have entered into securities deals with DG Bank.

DG Bank will meet officials of the French banks in the next few days to compare documentation, Mr Panner said. "If both sides insist they are right, legal action will follow," he said. The first test will come on March 30, when the next forward sale becomes due for payment by the French.

The Bundesbank said the matter was for the banks to sort out. Mr Guthardt quoted Mr Karl Otto Pöhl, president of the central bank, as saying that it did not involve itself in the legal affairs of national and international banks.

European bank for Nomura

NOMURA Securities will set up a wholly owned banking unit in Luxembourg, the Japanese securities company said yesterday, Reuters reports. Nomura Bank (Luxembourg), capitalised at 17m Ecu, will start operations from today.

● Singapore's United Overseas Bank has obtained a licence from the Indonesian government to open a joint-venture bank in Jakarta.

The bank, P. T. United Overseas Bank Bali, will be owned 80 per cent by the UOB bank and the balance by P. T. Bank Bali.

CME rallies members with a drive for bigger profits

Deborah Hargreaves on the way the Chicago futures market hopes to meet the pressures of the 1990s

Competition in futures is heating up as the industry becomes more global, but exchanges cannot run the risk of neglecting their core floor traders. That is why both of Chicago's big futures exchanges are driving hard to create more profits for their members.

In an aggressive bid for the chairmanship of the Chicago Board of Trade in January, Mr Leslie Rosenthal centred his campaign around the need to maximise the institution's profit potential. Although he lost the vote, the commercial thinking behind his platform is likely to have its effect on the exchange's leadership this year.

The CBOT got the message last year when its 3,500 members vetoed a bid to raise exchange fees in order to put more money into developing its screen-trading system. While computer systems are important to Chicago's floor trading community, many of them – particularly the locals who trade for their own accounts – are reluctant to shell out more money for a facility that they feel could erode their floor business.

The Chicago Mercantile Exchange has been facing similar pressures and responded to them recently by releasing a forward plan in the shape of its Blueprint for the 1990s. The nub of the plan is the formation of a corporation called the CME Resource and Service Company that will provide new sources of income for the exchange's members.

The CME is calling on its members to work together to overcome regulatory disputes

In essence, the plan is a rallying call on the CME's members to unite behind the leadership for an aggressive marketing drive over the next few years. The Blueprint document calls on members to settle the differences that are dividing them and to join together to resolve regulatory disputes.

What this means, according to Mr Leo Melamed, who heads the CME's executive committee, is that the members must decide whether they are for or against issues such as dual trading and block trading. The CME has been running a pilot scheme which has meant banning dual trading from some of its busiest contracts for close to a year, but this has met with some resistance from its members.

In addition, the exchange is pioneering a rule on block trading that will provide a facility for large traders to match trades as long as they offer them to the floor. Some CME members believe this will erode their business, and the futures industry regulator is concerned about the development of a two-tier market. However, Mr Melamed is confident the rule will attract more activity to the CME by making it easier for big traders to execute their large orders.

These and other issues should be resolved internally so that the exchange can present a united front to the regulators, Mr Melamed says. The US futures exchanges are currently embroiled in a row with the securities exchanges and the equities regulator, the Securities and Exchange Commission over index participation products.

Several of these products which respresent baskets of stocks were launched last year by three US options exchanges, but the CME and CBOT successfully argued in court that the indices were futures products. The dispute is likely to be resolved by giving joint jurisdiction for the index participations to the SEC and the futures regulator, the Commodity Futures Trading Commission.

This is a crucial issue for the CME since there is a hearty appetite for index participations in the market as their shortlived trading period showed. They were taken off the market when the futures exchanges launched the court case.

Mr Melamed says the CME may launch its own index participations, but his first priority is to resolve a "festering argument" with the SEC. In addition, the CME intends to launch a strong lobby against margin changes in the futures markets this year.

"These are issues that we can't keep arguing about every time they come up," Mr Melamed explains, "they must be resolved once and for all."

The CME is currently conducting a review of its trading rules which it intends to complete soon. The exchange is also working on the introduction of new technology in the form of a better audit trail and electronic trading cards to tighten up on oversight.

"The integrity of our market must be beyond reproach," Mr Melamed stresses.

The more grandiose side to the CME's plan is its mission to educate the world about futures. The exchange is already working with representatives from eastern European countries to explain to them how the markets work and even to discuss setting up special agricultural futures contracts that would be attractive to them. Mr Melamed does not rule out one day setting up a futures exchange in eastern Europe.

The plan has generally been welcomed by the floor community at the CME which has focused on the profit-making side of the new strategy. Mr Barry Lind, who heads Lind Waldock, a discount brokerage house, is glad to see the CME thinking along profit lines. "There are so many support systems that live off futures and it makes sense to try and make money out of some of these."

The CME's new company will attempt to cash in on the exchange's expertise in areas such as clearing, accounting, telecommunications, education and publishing. Many traders believe the exchange does not currently make the most of its quote information which it could market at a higher price. But it looks as if its accounting procedures could be the first money spinner.

Durable goods data is fillip to Treasuries

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds achieved healthy gains in quiet trading yesterday in response to a record 10.5 per cent fall in US durable goods orders in January.

In late trading, the Treasury's benchmark long bond stood ⅜ point higher for a yield of 8.44 per cent. Short-dated maturities were up around ⅛ point.

Gains were limited because the fall in orders was concentrated in the transportation sector. Excluding transportation, durable goods orders fell by 3.4 per cent. There was also a downward revision to December's orders, which were previously reported to have risen by 3.2 per cent, to a 1.4 per cent gain. (Durable goods orders are among the most volatile of US economic statistics.)

Mr Alan Greenspan, chairman of the US Federal Reserve, told the Senate Financing Committee yesterday that orders, in his judgment, were basically flat.

Treasury bonds had a firm undertone before the durable goods figures, largely reflecting continued strength in the dollar. In late trading in New York, the US currency was quoted at Y148.75, around the middle of its trading range, and at DM1.6890 compared with a low of DM1.6830 and a high of DM1.6945.

The market is now keen to see the first data available for February, since January's statistics have been so distorted by weather and strikes. Tomorrow sees the publication of the latest report from US purchasing managers.

■ THE JAPANESE government bond market drew some reassurance from the slight bounce back in the equity market yesterday and trading was fairly stable.

After the run-up in yield on the 119 benchmark government bond to over 7 per cent in recent trading, yields dropped back slightly to 6.88 per cent.

Little real buying appears to be materialising in the Japanese market, but some professionals are taking positions in advance of this week's auction of 10-year bonds.

■ WITH TRADING in West German bonds subdued after Monday's carnival holiday, France experienced some strong buying interest at the opening of the market with institutions buying across the long end of the yield curve. The French inflation figure turned out better than expected at an annual rate of 3.4 per cent.

Dealers expect the spread against Germany to continue to narrow ahead of the French auction tomorrow. The current spread in the 10-year sector is at 140 basis points and could go to a historic low of 100 basis points in coming weeks.

While the French market drifted towards the end of the day, the German market edged higher in thin trading.

The futures contract closed at a price of 82.99 which was a 34 pfennig rise on Monday's close.

In London, gilts saw a desultory trading day yesterday as investors held back from the market in advance of today's release of trade figures for January. The market dropped ⅛ to 93.18 at the short end with a yield of 12.53 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	10.000	4/93	93-18	-03/32	12.53	12.72	12.21
	10.500	5/99	94-04	-04/32	11.53	11.84	11.18
	9.000	10/08	87-06	-06/32	10.68	10.71	10.25
US TREASURY *	8.500	02/00	100-18	+10/32	8.41	8.64	8.46
	8.500	02/20	100-16	+14/32	8.45	8.67	8.52
JAPAN No 119	4.800	6/99	87.9176	-0.057	6.93	7.06	6.34
No 2	5.700	3/07	93.0755	-0.300	6.56	6.44	6.34
GERMANY	7.125	12/99	90.4000	0.150	8.60	8.91	7.71
FRANCE STAN	8.000	10/94	90.7864	0.268	10.59	10.99	10.32
OAT	8.125	5/99	88.8100	0.160	10.02	10.45	9.62
CANADA *	9.250	12/99	92.1500	-0.200	10.55	10.68	9.99
NETHERLANDS	7.500	11/99	91.1200	0.170	8.89	9.20	8.28
AUSTRALIA	12.000	7/99	88.5815	-0.289	13.40	13.21	12.76

London closing, *denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Tuesday February 27 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Feb 26 Index No.	Fri Feb 23 Index No.	Thu Feb 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (282)	[illegible]									
2 Building Materials (27)	[illegible]									
3 Contracting, Construction (37)	[illegible]									
4 Electricals (10)	[illegible]									
5 Electronics (30)	[illegible]									
6 Engineering-Aerospace (8)	[illegible]									
7 Engineering-General (43)	[illegible]									
8 Metals and Metal Forming (6)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (25)	[illegible]									
21 CONSUMER GROUP (177)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (19)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household (13)	[illegible]									
29 Leisure (32)	[illegible]									
31 Packaging & Paper (15)	[illegible]									
32 Publishing & Printing (17)	[illegible]									
34 Stores (32)	[illegible]									
35 Textiles (13)	[illegible]									
40 OTHER GROUPS (103)	[illegible]									
41 Agencies (17)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (13)	[illegible]									
44 Transport (13)	[illegible]									
45 Telephone Networks (2)	[illegible]									
46 Water (10)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (482)	[illegible]									
51 Oil & Gas (18)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (114)	[illegible]									
62 Banks (9)	[illegible]									
65 Insurance (Life) (7)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (6)	[illegible]									
68 Merchant Banks (8)	[illegible]									
69 Property (49)	[illegible]									
70 Other Financial (28)	[illegible]									
71 Investment Trusts (68)	[illegible]									
81 Overseas Traders (5)	[illegible]									
99 ALL-SHARE INDEX (687)	[illegible]									

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20	Year ago
FT-SE 100 SHARE INDEX ♦	2254.8	+5.5	2257.5	2249.2	2249.3	2234.7	2249.2	2259.7	2277.0	[illegible]

Opening index 2254.5; 10 am 2250.3; 11 am 2252.6; Noon 2256.4; 1 pm 2256.5; 2 pm 2254.1; 3 pm 2249.4; 3.30 pm 2250.8; 4 pm 2250.6. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

CONSTITUENT CHANGES: Saga Group (29) has been deleted and replaced by T & S Stores (34).

FIXED INTEREST

PRICE INDICES	Tue Feb 27	Day's change %	Mon Feb 26	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	114.95	+0.14	114.79	–	2.02
2 5-15 years	122.93	+0.13	122.78	–	2.34
3 Over 15 years	130.87	+0.18	130.64	–	1.46
4 Irredeemables	148.17	+0.40	147.58	–	1.16
5 All stocks	122.77	+0.14	122.60	–	2.16
Index-Linked					
6 Up to 5 years	140.56	+0.05	140.49	–	0.94
7 Over 5 years	135.79	+0.32	135.35	–	0.81
8 All stocks	136.03	+0.30	135.62	–	0.82
9 Debentures & Loans	100.56	+0.30	100.26	–	2.12
10 Preference	79.57	+0.07	79.52	–	1.17

AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 27	Mon Feb 26	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.89	10.90	9.34
2	15 years	[illegible]		
3	25 years	[illegible]		
4 Medium Coupons	5 years	[illegible]		
5	15 years	[illegible]		
6	25 years	[illegible]		
7 High Coupons	5 years	[illegible]		
8	15 years	[illegible]		
9	25 years	[illegible]		
10 Irredeemables		[illegible]		
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	[illegible]		
12 Inflation rate 5%	Over 5 yrs.	[illegible]		
13 Inflation rate 10%	Up to 5yrs.	[illegible]		
14 Inflation rate 10%	Over 5 yrs.	[illegible]		
15 Debs & Loans	5 years	[illegible]		
16	15 years	[illegible]		
17	25 years	[illegible]		
18 Preference		[illegible]		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	89	0	13
Corporations, Dominion and Foreign Bonds	6	0	10
Industrials	452	264	[illegible]
Financial and Properties	246	102	381
Oils	35	22	35
Plantations	2	0	7
Mines	58	28	72
Others	4	37	146
Totals	892	453	1,591

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Feb 19
● Last Dealings March 2
● Last Declarations May 24
● For settlement June 4

For rate indications see end of London Share Service

Calls in Mecca Leis., ASDA, Beddington, Astra Hldgs., Bula Res., Gaelic Res., Ferranti Intl., Atlantic Res., Aviva Pet. and Saatchi & Saatchi. Put in Body Shop.

LONDON TRADED OPTIONS

A MASSIVE 36,000 lot order for FT-SE 100 index options worth £590m boosted turnover yesterday to almost double Monday's level, and triggered action in the stock futures market.

The transaction, executed by Hoare Govett, was equal to the recent turnover for the entire market on a single day. The trade was slightly bearish and involved the sale of calls and the purchase of puts. The deal was transacted through five market-makers, some of whom offset their risk by selling FT-SE March futures contracts.

The trade, said to be for an institutional client, mostly involved the opening of fresh positions. The transaction was all in the March series of FT-SE options and included the sale of 7,880 of the 2,400 calls and 4,700 of the 2,450 puts.

This was reflected in the official figures for the day's trading. Total market turnover amounted to 52,650 contracts, of which 30,400 were calls and 22,250 were puts. In FT-SE, 37,286 contracts changed hands, of which 22,401 were calls and 14,885 were puts. The March 2,400 call series was the busiest, trading 7,870.

Aside from Hoare Govett's transaction, the main focus of interest was the expiry this morning of February FT-SE options and the movement of the futures market, where dealers said the rally in Tokyo prompted good two-way business. The futures market premium over the cash index widened to 16 points, as US buying created a squeeze, and supported the underlying market.

Among the stock options, Asda was the busiest, as its underlying equity advanced in busy trade. Asda traded 2,422 lots, of which 572 were calls and 1,850 were puts. The April 110 put series was the busiest, with 1,550 lots changing hands.

Turnover was boosted by James Capel, which crossed 1,500 of the April 110 calls. In addition, Capel sold 800 of the April 120 calls at 2½p and 350 of the April 110 puts at 5p. This transaction assumed Asda would maximise returns between 110 and 120p. Asda closed 1½ higher at 111p on 3.8m.

Option		CALLS			PUTS		
[illegible]							

EURO FT-SE INDEX (*2251)

FT-SE INDEX (*2251)

Feb 27 Total Contracts 52,650. Calls 30,400 Puts 22,250. FT-SE Index Calls 22,401 Puts 14,885. Euro FT-SE Calls 140 Puts 664. *Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

TransAtlantic set to sweep up CIT

By Nikki Tait

THE SOUTH African-controlled TransAtlantic Holdings yesterday unveiled a bid for the minority interests in Continental and Industrial Trust, a UK investment trust where it already has a controlling stake. The offer values the entire trust at about £164m.

Explaining the move, TransAtlantic claimed that Continental was no longer suited as the listed investment arm of the group.

It pointed out that TransAtlantic's assets had expanded rapidly since control of the former Schroder-managed trust was acquired in 1986. Continental, however, was constrained by certain investment restrictions deriving from its trust status and by some additional restrictions accepted by TransAtlantic at the behest of the Stock Exchange. These limited the size of investments which Continental could make, and the extent to which the trust and its controlling shareholder could invest in the same company.

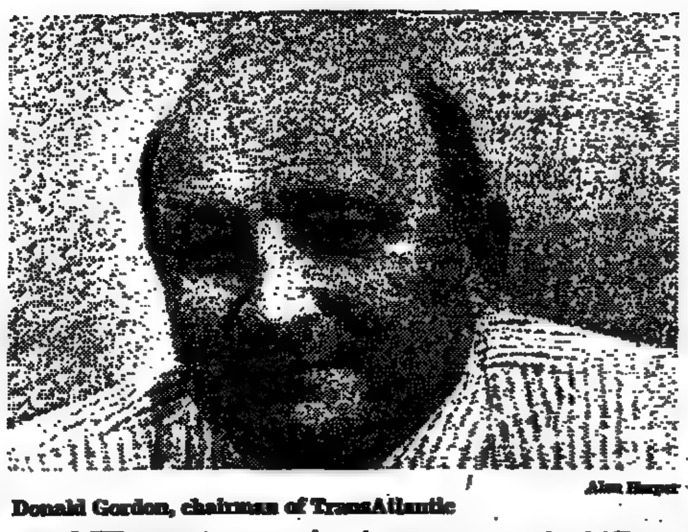
It also acknowledged that integrating Continental into TransAtlantic should bring certain tax and treasury benefits for the group.

Continental's declared investment policy in the wake of the TransAtlantic offer in June 1986 was to "invest predominately in UK financial services businesses."

In practice, the trust has remained highly liquid and, at February 23, only 24 per cent of its £166.7m portfolio was in equities. These holdings included an 11.8 per cent interest in Scottish American Investment Company, and some relatively small stakes in Prudential Corporation, Legal & General, and Royal Bank of Scotland.

Luxembourg-listed TransAtlantic, whose main subsidiary is Capital & Counties, the quoted UK property group, is offering Continental shareholders either cash or the option to switch into its own shares.

For each Continental share, investors can receive 2.4 TransAtlantic preference shares, which are convertible on a one-for-one basis into TransAtlantic shares after October 31.



Alan Harper

Donald Gordon, chairman of TransAtlantic

Capco rises despite fall in property market

By Paul Cheeseright, Property Correspondent

CAPITAL & COUNTIES, the property group with extensive retail and office investments, managed a steady increase in earnings and asset growth during 1989 in spite of the downturn in the commercial property market.

Growth in the net asset value to 533.5p per share, against the 492.5p recorded at the end of 1988, fell in the middle of market expectations and helped hold the share price firm during a day of quiet trading in the market. Capco share price rose by 4p to 352p.

But the 8 per cent rise in the net asset value compared with 33 per cent in 1988, a year recognised both by Capco in particular and the property industry generally as being exceptional.

Pre-tax profits for the year to end-December were ahead 18 per cent to £51.3m (£43.5m) and took place on the back of a commensurate increase in net property income to £37.5m (£31.8m).

The group's main shareholder is TransAtlantic Insurance Holdings, itself 40 per cent owned by Liberty Life of South Africa. TransAtlantic holds 75 per cent of the ordinary shares and 68 per cent of the fully diluted Capco equity.

Capco has total assets of £1.28bn. Shareholders' funds at the end of the year were £810.8m and net debt was £290.2m.

The main focus of Capco's development programme, in terms of resources, is in retail centres at Thurrock – the only shopping complex under construction on the M25 – Watford and Bromley. Spending on them had reached £268m by the end of 1989.

But the company also has office developments, for which the gestation period is shorter and the financial turnover is quicker. Over the last year its main acquisitions have been in this sector, partly to redress the balance from retail developments.

A final dividend of 6.75p brings total payments for the year to 12p (10.5p).

● COMMENT

The glitter on the retail property market started to tarnish 18 months ago and the office market has become uncertain. Valuers are becomingly increasingly uncertain about values as yields tend to widen. So it was hardly surprising that Capco's 1989 performance was worthy rather than breathtaking. But in a fragile sector it is looking solid – gearing at 36 per cent, UK loans fixed on average under 10 per cent or capped at 12 per cent and £500m of unused facilities. The only trouble is that for a defensive stock, Capco is narrowly traded. This year the outlook is probably for more of the same: not much in the way of a higher net asset value although Thurrock will come in for the first time. A net asset value per share of about 560p looks a safe estimate and that puts the shares on a prospective discount of nearly 37 per cent.

Higher dollar and interest rates help Sedgwick to £85m

By Patrick Cockburn

SEDGWICK Group, Europe's largest insurance broker, increased pre-tax profits by 9 per cent, from £77.9m to £85.2m, in 1989.

Mr David Rowland, chairman, said insurance rates had continued to fall in 1989, but that the group benefited from the strength of the US dollar against sterling, and higher interest rates.

He said revenue was £647.3m, an increase of 6 per cent, although at constant exchange rates the rise was only 2 per cent. Interest and investment income advanced by 20 per cent to £64.1m.

Earnings per share were 13.3p (12.1p), and the final dividend is again 8p to make an unchanged total of 12p.

Sedgwick remained pessimistic about an end to the depression in insurance rates. Mr Rowland said the company was working on the assumption that the primary market would be flat this year and any strengthening in reinsurance rates would take time to make an impact.

Mr Jim Payne, chairman of EW Payne, Sedgwick's reinsurance broking and consultancy arm, said: "1991 is the earliest you will see primary rates hardening." The succession of disasters since 1988 was bound ultimately to have an effect on prices, he pointed out.

Sedgwick James, the international retail broking division, was a major beneficiary of exchange rate movement with income up to £403m last year, compared to £365m.

Excluding the effect of exchange rates, turnover was up 3 per cent at Sedgwick James, 5 per cent down for Sedgwick Broking Services and 1 per cent lower at Payne. Sedgwick's Lloyd's members' agency had a good year profiting from the good 1986 year of account.

Confirming that property/casualty rates in the US are still soft Sedgwick's said that in some cases insurers had persuaded companies to pay higher premiums, but when clients looked around for lower rates from competitors they invariably found them. Reductions are usually 10-15 per cent below what they were paying before.

Asked about the intentions of the San Francisco-based TransAmerica Corporation, which has 39 per cent of Sedgwick's equity and is free to increase that with the end of a standstill agreement on March 1, Mr Rowland said there was no "secret agenda". He said that as shareholders TransAmerica had proved very supportive.

● COMMENT

Sedgwick has always played down talk of a rapid resurgence in insurance rates, and the end of year renewals have largely justified their pessimism. Given this constraint on the level of commissions the group's performance, for all the benefits of a strong dollar and high interest rates, is not unimpressive. Very similar results have come from the other big Anglo-American brokers. Whatever the strengths of Sedgwick there are limits to what efficient management can achieve. Profits this year are likely to be about the £100m mark, which leaves the share price looking high given expected earnings. TransAmerica is likely to think so too; but there is not much it can do about it. There is no sign of a bid and TransAmerica is unlikely to sell its stake at the bottom of the insurance cycle.

Chieftain orders doubled

FURTHER PROGRESS was shown by Chieftain Group in 1989 and by the end of the year its order book had almost doubled to £14m.

This USM-quoted supplier of specialist insulation and fire-proofing services saw turnover rise 7 per cent to £9.99m (£9.34m) and profit advance 28 per cent, from £1.03m to £1.32m. Earnings were 10.47p (9.35p) and the final dividend is 2.7p for a total of 4.5p.

In spite of a downturn in the construction industry, demand for the group's services remained buoyant. For the first time, all eight branches contributed to profits. Offshore projects were increasing in scale and to service those new premises were acquired.

Eastbourne Water

Eastbourne Waterworks reported pre-tax profits for 1989 of £1.41m (£412,000) on turnover of £10.6m (£8.24m). The company said the results had been affected by last year's drought and lower house building activity which had increased into this year.

Tiny Rowland's salary tops £1.3m after 29.7% pay rise

By Ray Bashford

MR TINY Rowland, chief executive of Lonrho, received a £302,206 increase in his annual salary and benefits to secure his position as Britain's second highest paid executive of a listed company.

Mr Rowland's salary for the year to September 30 1989 rose 29.7 per cent to £1,317,257, according to the accounts of the UK-based international conglomerate which were released yesterday.

The increase comes in a year when the company returned a 21 per cent improvement to £273.2m in pre-tax profits, boosted by a £38.4m contribution from the the sale of whisky stocks in November 1988.

Without this one-off sale the pre-tax profit rose only 4 per cent.

Mr Rowland failed to maintain pace with the average improvement in salary and benefits received by other Lonrho executives.

The accounts show that the salary bill for directors jumped 37.2 per cent to £4,795,638.

Sir Edward du Cann, chairman, did not fair as well as in the previous 12 months. His salary and benefits remained steady at £408,558 after receiving a rise from £127,563 last year.

Following the latest increase, Mr Rowland becomes second in the UK pay scale to Lord Hanson, chairman of Hanson, who according to the company's annual report issued last December received annual salary and benefits totalling £1.53m.

However, as the largest shareholder in Lonrho, Mr Rowland received a substantially bigger dividend payment. If Mr Rowland owned throughout the year all the 83.7m shares he held at January 24 this year, and accepted all the dividend in cash, he would receive £12.3m. Based on the same conditions, Mr Rowland received £9.33m in the previous 12 months.

Lord Hanson received total dividends of £726,750, according the last annual report.

Lonrho paid a final 8p dividend, raising the total for the year to 16p, representing a 41 per cent improvement for the year.

Shareholders' funds, including minority interests, rose from £1.24bn to £1.46bn.

ANALYSIS OF PROFIT BY ACTIVITY

	1989 £m	1988 £m	Change %
Motor and equipment distribution	45.5	37.7	20.7
Manufacturing	34.7	43.6	−20.4
General trade	23.9	19.6	22.1
Leisure	56.5	27.9	102.5
Mineral extraction and refining	66.9	55.9	19.7
Agriculture	18.0	14.7	22.4
Financial services	25.7	25.6	0.4
Total	273.2	225.6	

Years to September 30

Easterbrook bids in balance

By Clare Pearson

A HIGH Court decision to send for trial disputed powers of attorney over some shares in Easterbrook Allcard left the outcome of the two rival bids for the privately-owned Yorkshire cutting tools company hanging in the balance yesterday.

The validity of powers of attorney granted to a Sheffield solicitor to accept an £11.5m contested bid from James Wilkes, the engineering and packaging company, is being disputed by holders of a crucial block of shares.

Wilkes' bid was made before this month's £13.2m white knight offer from Record Holdings, a power tool maker and, like Wilkes, a listed company.

The rival bids are now expected to mark time until May, the likely month for the validity issue to come to trial. Wilkes posted its offer document in January.

Wilkes has claimed receipt of irrevocable undertakings to accept in respect of more than 50 per cent of the shares, but this includes the 9 per cent which is being contested in court.

The powers of attorney, some of which were granted in December, run out after six months.

Record now owns about 9.2 per cent of the shares. It has irrevocable undertakings to accept in respect of 528,128 shares, or 30 per cent; of these, it has an option to acquire 278,046, or 15.8 per cent.

IN BRIEF

ICI is selling its 50 per cent share in Finicisa, Fribras Sinteticos SA, a Portuguese chemical company to Hoechst, the West German chemical group, which is also buying the other half from Manuel Pino. The sums involved have not been disclosed.

MTL INSTRUMENTS has taken 40 per cent of a joint venture company with Mr E Tiburtius of Madras, to make a growing range of MTL's intrinsic safety products in India.

QUILIGOTTI has established a subsidiary in the US which has acquired 80 per cent of Associated Importers, a Texas-based tile distribution company, for $400,000 in new share capital. Quiligotti's plans include production of terrazzo tiles at the newly acquired manufacturing facility in Lancaster, Texas.

WYNDHAM GROUP: Of the 6.39m convertible preference shares in the open offer, 21 per cent were taken up. The balance will be taken by placees.

YEARLING BONDS: Interest rate for this week's issue of local authority bonds is 15¾ per cent, up ⅛ of a percentage point from the last issue, a month ago. There is no comparative figure last year. The bonds are issued at par and are redeemable on March 6 1991.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Croston, Eleco, Joe Holdings, Manganese Bronze, Microfilm Reprographics, Norex, Sheldon Jones, Usher (Frank).

Finals- AMS Industries, Barclays Bank, British Kidney Patient, BWD Securities, Cadbury Schweppes, Commercial Union, First Scottish American Trust, Foreign & Colonial Investment Trust, General Accident, Goodwin, Grosvenor Development Capital, LASMO, Porvair, Royal Insurance, Stat-Plus, TR City of London Trust, Tozer Kemsley & Millbourn.

FUTURE DATES

Interims-	
Green (Ernest)	Mar. 6
Lawtex	Mar. 7
Macklow (A&J)	Mar. 6
Sinclair (William)	Mar. 7
Sunset & Vine	Mar. 6
Finals-	
Antofagasta	Mar. 8
Heywood Williams	Mar. 7
Higgs & Hill	Apr. 11
Hobsons Publishing	Mar. 12
Ladbroke	Mar. 8
Macallan-Glenlivet	Mar. 22
More O'Ferrall	Mar. 7

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Alpha Estates §	int	1	Apr 20	-	-	-
Armitage Bros	int	2.4	-	2.2	-	5
Baltic	fin	2.3	Apr 30	1.92	4	3.36
Bensons Crisps §	fin	1.65	-	1.25	2.25	1.75
Capital/Counties	fin	6.75	-	6.25	12	10.5
Chieftain Gp §	fin	2.7	-	1	4.5	1
Ewart	int	nil	-	0.625*	-	1.875*
Isotron	int	1.05	May 3	0.87	-	2.6
Jones & Shipman	int	1.5★	Mar 30	-	-	4.5
McAlpine (Alf)	fin	11.6	-	11.6	16.1	16.1
Murray Income	int	5.64	-	3.5	-	8.2
Pacific Assets	fin	nil	-	0.65	0.575	0.65
Sedgwick	fin	8	-	8	12†	12
SEET	int	1.6	Apr 18	1.6	-	5.3
STC	fin	7.25	-	6	11	9
Unilever	fin	12.24	May 18	9.51	16.75	13.4
Unilever NV	fin	3.35‡‡	May 18	3.06	4.72	4.29

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ‡‡Dutch Fls. ★Second interim dividend; current period covers 15 months to March 31.

Seeking to increase outstanding preference shares in US by $140m

BET sales to raise at least £200m

By Clare Pearson

BET, the business services group, yesterday said it expected to raise more than £200m from the sales of its joinery and replacement window operations, chiefly Boulton & Paul and Anglian Windows.

The company, which last month paid £192m to acquire Hestair, the personnel services and consumer products group, also said it was adding a further $140m (£82m) to its outstanding issue of variable-dividend preference shares in the US.

Mr Nicholas Wills, chief executive, said the withdrawal from joinery and windows should be seen in conjunction with the Hestair acquisition. They were both "totally logical steps" within BET's long-running strategy of concentrating on contract staffing and equipment.

BET's shares slumped when the Hestair purchase was announced. This reflected stock market worries that the company was making a big move into a new business area and also might embark on an acquisitive drive to build up Hestair's position in the recruitment services market.

Aside from Anglian Windows, which BET claims is UK market leader in the replacement window market, and Boulton & Paul, the joinery products company operating in the UK and the Netherlands, a clutch of smaller companies involved in commercial glazing are also now to be sold.

Operating profits achieved in aggregate by the businesses would not be "significantly different" in the current year to end-March from the £46.6m (16 per cent of total group operating profits) posted last time, Mr Wills said.

He admitted that the current depressed state of the building and home improvement markets meant now might not be the best time to dispose of companies in those areas. But he said: "We will not sell the businesses now unless we find buyers who recognise their long term value despite the current downturns in the markets."

Although it would prefer an outright sale, BET had not ruled out other options such as demerging the companies or putting them into joint ventures.

BET's gearing will still stand at about 85 per cent after the preference share issue, but it emphasises that its interest cover is conservative.

The company is about to embark on a series of presentations to institutional shareholders. Yesterday it was keen to emphasise that it was satisfied with Hestair's current competitive position as a leader in certain parts of the US and UK recruitment markets, even though it was not a dominant player in either national market.

BET stepped in with a white knight bid for Hestair last December, defeating a £167m hostile offer from Adia, a Swiss-based services group. But, according to Mr Wills, BET had started looking at buying Hestair several months before this.

Hartwell war of words intensifies

By Vanessa Houlder

THE WAR of words intensified yesterday between the Jameel Group, the Saudi Arabian trading company, and Hartwell Group, the motor dealer which is the target of Jameel's £172.4m bid, over a 6.8 per cent stake in Hartwell.

Jameel issued a statement claiming that Hartwell had failed to disclose an agreement with Mercantile Credit Group that it would not sell its 6.8 per cent stake – acquired when some businesses were sold by Mercantile to Hartwell – before March 1990.

It had made a complaint to the Takeover Panel as it believed that the matter was "extremely serious" and had caused prejudice to it and other Hartwell shareholders.

Hartwell responded by saying that Jameel's "mischievous" statement was not based on knowledge of the full facts. "There is no agreement, arrangement or understanding legally binding or otherwise preventing Mercantile from selling its 6.8 per cent shareholding or accepting the offer."

Hartwell denied that the Panel had asked it to disclose the matter in its next defence document because of a breach of the Takeover Code. However, it had been asked to clarify the issue in order to clear up the confusion in shareholders' minds, it said.

Jameel's statement was an "act of desperation", and was to be deplored, it added.

Hartwell announced yesterday that it had exchanged contracts for the sale of a site in Kidlington, Oxford for £9.4m. This exceeded the independence valuation made earlier this month and would result in annualised interest savings of about £1.4m, it said. The sale would help demolish the "cynical" doubts raised by Jameel regarding the property valuations, it added.

Radion success puts Unilever chief in high spirits

By Clay Harris, Consumer Industries Editor

ANNUAL results from Unilever mix the ebullient repartée of Sir Michael Angus, chairman of the food and consumer giant, with currency and accounting calculations of mind-boggling complexity. Yesterday was a vintage occasion on both counts.

Sir Michael's spirits soared on the success of Radion, its new anti-odour detergent which is being marketed with a television advertising campaign that falls several notches short of subtle. Radion had taken 5 to 6 per cent of the heavy duty detergent market without stealing share from Persil, Unilever's leader in the sector, Sir Michael said.

Asked what sales had been achieved by certain rival "green" washing powders, he replied: "Negligible. Those products do have certain disadvantages, in that they don't work."

Discovering that one journalist admitted to having used the product, Sir Michael waved his hand and jokingly said, "stay away." Later, however, he was searching in vain for the man in question to make sure that no offence had been taken.

Unilever also was encouraged by its margarine sales in the US, Sir Michael said. "That glorious product I Can't Believe It's Not Butter – that's the brand name – has 9 per cent of the market, and I can't believe it's not 10."

The good humour tended to obscure a mixed performance on margins. Although up group-wide, they fell in Europe overall and in margarine/edible oils and speciality chemicals, the one area where Unilever had seen signs of a downturn in demand.

Yesterday's annual results were accompanied by fourth-quarter figures which showed pre-tax profits ahead by 15 per cent to £431m (£377m) on turnover up by 20 per cent to £5.39bn (£4.49bn). By the year-end, net borrowings had risen to £2.3bn (£500m), largely because of the acquisition of the Fabergé/Elizabeth Arden and Calvin Klein fragrances businesses which were part of the group for five and 4½ months respectively.

But the biggest effect on future results will come from Unilever's decision to use average exchange rates, beginning in its 1990 accounts, rather than year-end figures.

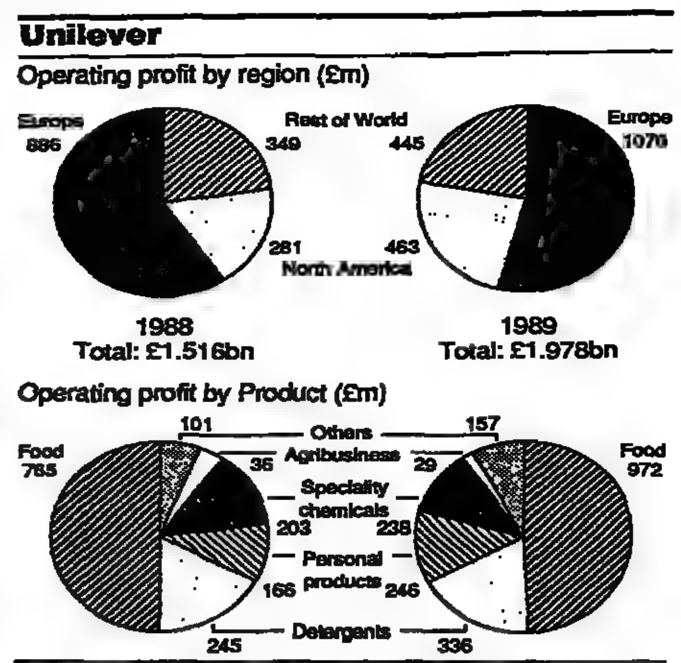
The new policy will affect Unilever's method of computing dividends. Already, they are worked out to insure that holders of sterling-denominated plc shares and guilder-denominated NV shares receive the same amount. Until now, this has been based on rates at the end of the relevant period.

From 1990, the interim dividend will be worked out based on average sterling/guilder exchange rates for the first three quarters and the final on average rates for the full year.

Unilever's quarterly reporting procedures are no less complex. Turnover and operating results will be based on the average exchange rates prevailing in the previous calendar year.

However, earnings per share and attributable profit for each period will be based on updated averages. At the end of the first quarter, for example, eps in each of the currencies will be calculated by the average rates in the first three months; at the interim stage, on the averages for the first six months, etc.

In view of this complexity, and Unilever's rare position as a truly multinational grouping, would it not be easier to move once and for all to European currency units? Mr Charles Miller Smith, finance director, admits the Ecu question has been tossed around the board table. Maybe by the time he retires, he muses. He has many years to go before then.



UK COMPANY NEWS

£7.75m charge to cover withdrawal from US housing and Scottish contracting

UK homes side boosts McAlpine to £23.6m

By Andrew Bolger

ALFRED MCALPINE, the UK building, civil engineering and construction group, yesterday reported a 15 per cent increase in pre-tax profits to £23.6m for the year to end-October 1989.

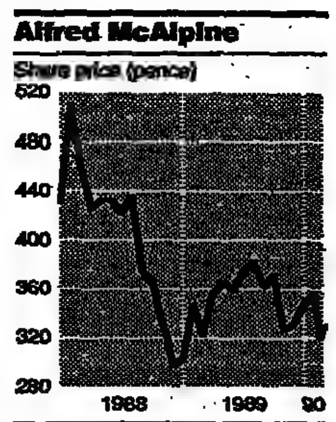
However, the group took an extraordinary charge of £7.75m below the line. That principally arose from losses incurred in retreating from housebuilding in the US, the closure of contracting activities in Scotland, and a terminal loss on property activities, less the profit on the disposal of Homes Scotland.

To maintain its final dividend at 11.6p, and a total of 16.1p for the year, McAlpine had to transfer £2.36m from reserves.

The profit compared with £20.47m and was generated from turnover up 18 per cent to £666.28m (£591m).

Mr Bobby McAlpine, chairman, said the period had seen the completion of a number of unprofitable contracts in the construction division, and the closure of areas of activity which no longer met required levels of return. The group was now focusing on its three core businesses – contracting, homes and minerals.

UK homes was by far the most profitable division, although the rapid rise in interest rates began to seriously affect trading in the second half. Pre-tax profits here rose by 83 per cent to £18.6m, boosted by the merger of McAlpine's housing activities with



Canberra Group, a private housebuilder operating in the Midlands and south-west England.

However, the vendors of Canberra retained a 40 per cent stake in the combined operation and their minority interests of £4.9m in the profits figure diluted earnings per share to 31p (38.6p).

Mr McAlpine said the housing market in Massachusetts, where the group's loss-making US operations were based, suffered an even more severe downturn that in the UK and it had been decided to close down the operation altogether.

Contracting had been reorganised on a regional basis and more work was being sought in the private sector. New management had taken steps to strengthen financial controls and improve cash flow. The

Bobby McAlpine: focusing on contracting, homes and minerals

outlook was encouraging, with orders up 70 per cent in the first quarter of the current year.

The group said its traditional mineral business had performed well and its Scottish quarries, where considerable investment had been made, were expected to show benefits this year. Operations in the US had been satisfactory, in spite of bad weather in the second half.

● COMMENT

McAlpine's shares closed 8p higher at 328p after its profits exceeded most City expectations, but the hefty extraordinary item must contain some trading losses. After two awful years, the group is counting on its restructured contracting division bouncing back. It will need to do so as housing faces a grim outlook. A shift away from that to contracting in the profits profile would reduce the dilutive effect on earning per share of the Canberra minority interest. Forecast profits of £26m put the shares on a multiple of just over 8 – about average for the sector. Having been as high as 395p last year, the shares are, at this level, underpinned by an asset value of 346p per share. But sceptics will await evidence of the promised recovery in contracting before rushing to buy.

Dowding to pay £5.75m for Microwave Systems

By David Owen

DOWDING & Mills, the electrical and mechanical repair company, is buying Microwave Systems, the calibration and instrument repair group, from Bunzl for a total consideration of £5.75m.

The deal, which follows Dowding's purchase of Calibration Systems earlier this month, will raise to between 10 per cent and 20 per cent the Birmingham-based group's share of this UK market.

It continues a series of disposals by Bunzl, the specialist manufacturing and distribution group, which are being made in a bid to reduce debt.

"Microwave is one of a number of more peripheral businesses that are small in nature and make more sense to be with other people", said Mr James White, chairman and chief executive.

Earlier this month, Bunzl agreed to sell the bulk of its graphic arts business to US-based Hunt Manufacturing for £26.75m.

Under the deal Dowding will pay an initial £4.1m, plus inter-company indebtedness of £655,000. A deferred consideration of £1m will also be payable in two equal tranches due in October 1990 and October 1991.

The initial amount will be met by the issue of 6.88m ordinary shares at 69p, which have been placed with institutional investors by Albert E Sharp.

Microwave, which employs 150 staff at Hitchin and Glenrothes, produced turnover averaging £6.24m over the three years to last December 31. Pre-tax profits averaged £742,000 over the same period.

Brierley builds 9.3% holding in USH

By Andrew Bolger

IEP SECURITIES, the UK investment vehicle of New Zealand businessman Sir Ronald Brierley, has built up a 9.29 per cent stake in United Scientific Holdings, the defence contractor which narrowly avoided being taken over last year.

Shares in USH closed yesterday at 83p, up 2p. IEP said it had been buying the shares in the market for the last three months and had picked up its stake for less than 80p per share.

In November, shareholders representing 83 per cent of USH's equity accepted a hostile £104m bid for the company from Meggitt, the specialist engineering group. Its partial cash alternative valued each USH share at 144p, but Meggitt withdrew its bid, citing information revealed by USH after the bid was launched on September 11.

Mr John Robertshaw, USH chairman, said yesterday: "The board of USH very much welcomes IEP as a new shareholder."

Mr Stuart Mitchell, IEP managing director, would not rule out a takeover bid for USH. He said: "Our style is to take stakes in undervalued companies and look at all our options. Nothing could be ruled out at this stage."

He added: "It's all about price. It was clear from the USH defence document at the time of the Meggitt bid that the company had undervalued businesses."

Sir Ron this week confirmed that he had raised to 18.2 per cent his stake in Vickers, the UK engineering, defence and Rolls-Royce cars group which makes Challenger tanks.

USH includes the Alvis light armoured vehicle business, giving rise to speculation that Sir Ron might have a grand plan to buy up large parts of the UK defence industry, but most analysts – and the market – seem to view both stakes as speculative.

USH incurred a pre-tax loss of £3.4m for the year to September 30 on turnover of £129m. Losses and provisions at its Avimo electro-optical plant in Taunton amounted to £17m, twice what had been expected.

Apart from Avimo Taunton, the rest of the group made operating profits of £10m, coming equally from Alvis, Avimo Singapore and Optic Electronic Corporation in Dallas, which makes night sights.

Fletsand raises Goldberg stake to 25.1%

By Maggie Urry

FLETSAND Investments, the private investment group which owns the Lewis's department store chain, has lifted its stake in A Goldberg, the loss-making fashion retailer, to 25.1 per cent.

Fletsand said it had no present intention of bidding for Goldberg. But it thought its "management strengths would complement and enhance those of Goldberg."

Mr James Fyfe, Fletsand chairman, said yesterday he would like to meet Mr Mark Goldberg, chairman of Goldberg, to discuss how Fletsand's management skills could help the retailer, and about possible board representation. He said: "We have taken the stake to a significant level. We are not in the business of making passive investments."

Mr Goldberg said: "If Mr Fyfe would like to meet me I would be delighted to meet him, with a view to any potential benefit to our shareholders."

Fletsand, which already held 5.1 per cent of Goldberg, bought the extra 20 per cent from Charterhall, Mr Russell Goward's UK investment vehicle, at a price of 68p. Mr Fyfe said the price was one where Fletsand "was comfortable to make the investment." It is thought that Charterhall will have taken a sizeable loss on the sale.

The news, coming a few minutes before the stock market closed, began to reverse a recent slide in Goldberg's share price. Last Friday the company announced a drastic store closure and redundancy plan to tackle its losses. From Friday's opening price of 87p the shares had fallen to 51p yesterday afternoon, but closed at 55p, still down 6p on the day.

Fletsand has been negotiating to buy the stake for some weeks, but discussions appear to have been delayed by the move into receivership of Westmex, Charterhall's Australian parent.

The deal was struck at 4.16pm yesterday, Mr Fyfe said, when the two sides finally reached a price they could agree.

Charterhall had held a 29.9 per cent stake in Goldberg, built up between August 1987 and February last year. It would not comment yesterday on what its intentions were for the rest of its holding.

At one time Charterhall had considered bidding for Goldberg, but last year said it would accept a bid, which proved abortive, for Goldberg from Blacks Leisure, the sports and leisurewear retailer.

$450,000 US buy for Wace Group

Wace Group has acquired Hawkey and Associates, a Chicago-based consulting, support and services company to the pre-press industry, for an initial $450,000 in cash and shares.

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UK COMPANY NEWS

Quotation would reduce debt and enable distiller to make acquisitions

Invergordon aiming for listing within 2 months

By James Buxton, Scottish Correspondent

INVERGORDON Distillers, the Edinburgh-based whisky company, hopes to obtain a Stock Exchange quotation within the next two months.

The company left the Stock Exchange in December 1988 when it was acquired by its management in a £93.6m buy-out which involved Hawker Siddeley selling its 61.8 per cent stake.

At the time Invergordon indicated that it hoped to return to the market within three years. Yesterday Dr Christopher Greig, managing director, said that Invergordon was bringing forward its planned flotation date "because we've done better than we had thought."

The timing of the flotation depended on market conditions, he pointed out. He refused to speculate on what value Invergordon expected to fetch when it returned to the market, beyond saying that it would be in the £100m-£200m range.

Going public again would enable the company to reduce the debt it incurred in the MBO and make it possible to make acquisitions, Mr Tim Hailey, marketing director said.

It should also benefit substantially the senior directors, led by Dr Greig, who have significant shareholdings, as well as institutions such as Ensign Trust, Edinburgh Investment Trust and Electra Investment Trust which backed the buy-out.

A number of management teams which bought their companies have recently cashed in their holdings in different ways. UK Paper, created out of a £38m MBO in 1986 from Bowater, returned to the stock exchange 15 months later and last December succumbed to a £299m cash bid from Fletcher Challenge of New Zealand.

Evans Healthcare, a drugs company, was bought out from Glaxo in 1986 for £27m and recently sold out to Medirace for £87m. Its management team had a 15 per cent stake in the equity.

In Invergordon's case the possibility of an early return to the Stock Exchange is in part a sign both of the new strength of the whisky industry and of its particular place in it.

Last year exports, which make up 85 per cent of the Scotch whisky industry's output, rose in value by 14 per cent, although they fell 1 per cent in volume.

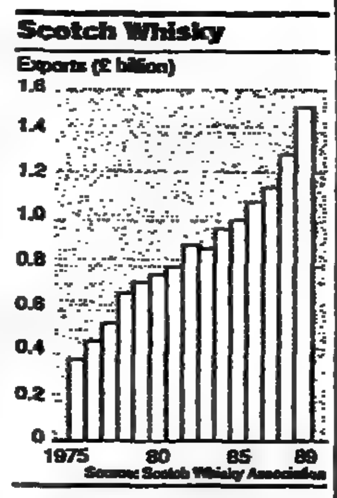
The strong increase in prices is due in part to the disappearance of the lake of surplus whisky that accumulated in the 1980s and the limiting of supplies to other companies by United Distillers, the Guinness subsidiary which accounts for 40 per cent of the industry.

Most of Invergordon's business is in blended whisky, much of it exported in bulk. The industry's exports of bulk grain whisky, in which Invergordon is particularly strong, went up by 73 per cent in value and 9 per cent in volume last year.

Invergordon exports bulk blended whisky to South America, the US and elsewhere. It also has its own bottled brands, led by Mackinlays, and provides whisky for other company's brands. It also has some single malt products.

Invergordon will not produce its 1989 results until next week. In 1988 pre-tax profits were £10.2m, up from £5.57m in 1987.

Mr Hailey said: "The industry is doing well and we're part of it."



Increased staffing and overheads hit Ewart

By Graham Deller

A "CONSIDERABLE" increase in staffing levels and overheads, brought about by the group's ongoing development programme resulted in sharply reduced interim profits at Ewart, the Belfast-based property company.

Taxable profits in the six months to end-October were £305,103, a decline of 42 per cent on the outcome at the same stage of the previous year, and came on turnover of £1.89m (£3.49m).

Last December it was announced that Ewart's agreement to purchase Switzer, a four-strong department store chain in the Irish Republic, from House of Fraser for £12.6m had been terminated.

Yesterday Mr John McIlroy, chairman, said: "The termination of the agreement for the acquisition is most disappointing. However, we have taken legal advice and any claim for damages will be robustly defended."

Costs of the abortive acquisition were taken below the line as an extraordinary charge of £1.2m.

Earnings per share dipped from 2.16p to 1.01p and the interim dividend is passed (0.625p adjusted for last summer's scrip issue).

Boots' drugs division 'not for sale'

By Peter Marsh

BOOTS, which recently rejected a bid for its drugs division by Rhône-Poulenc, the French state-owned chemicals company, said yesterday that the unit was not for sale.

It also said it had no plans for alliances with other companies in the £80bn-a-year world medicines industry, which over the past year has been shaken by a number of take-overs and mergers.

The UK retailer and medicines manufacturer received an unsolicited, tentative bid for its drugs operations from Rhône-Poulenc in August. No price was mentioned in the discussions. Boots dismissed reports of a £700m price tag as "a ludicrously low figure."

The move came shortly after Boots had paid £900m for Ward White, a UK retailer, which had strengthened speculation that it was interested in leaving the pharmaceutical sector.

Boots' pharmaceutical operations made sales in 1989 of £525m, out of group turnover of £2.7bn. That makes it a small player in the world drug industry, in which Boots is ranked some 50th in terms of sales.

Its drug unit is, however, highly valuable in terms of profits. Last year it provided £95m pre-tax, nearly a third of total earnings of £307m.

The biggest selling drug is ibuprofen, a pain reliever and therapy for arthritis. This produced estimated revenues of £65m last year.

In September the company had a setback after Manoplax, a drug it is developing for heart failure, produced disappointing results in clinical trials. However, Boots said it is determined to proceed with the medicine, which some analysts believe could account for annual sales of about £70m by the mid 1990s.

In January Rhône-Poulenc agreed a $3bn take-over of Rorer, a medium-sized US drugs company in a move which, if completed, would put the French group into the top 10 pharmaceutical companies worldwide.

In the past few years Rhône-Poulenc has expanded aggressively through a series of acquisitions, particularly in the area of healthcare and speciality chemicals.

SEET runs into £0.13m loss at interim stage

SEET, the textiles and retailing group, ran into a loss of £133,000 in the half year to October 31 1989, but is holding the interim dividend at 1.6p.

The result compared with profits of £168,000 in the corresponding period and with £34,000 in the second half of 1988-89. The loss per share came to 5.1p (earnings 1.4p).

Sales fell to £3.78m (£4.67m). Mr Jock Mackenzie, chairman, said the tartan manufacturing subsidiary experienced reduced demand but made a positive contribution.

Kenneth Mackenzie Holdings continued to suffer from the low demand for Harris Tweed from North America. There had recently been a cut in manufacturing capacity in the industry and Mr Mackenzie hoped that would produce some improvement in volumes and margins.

In retailing, the US associate Homemaker Shops maintained its expansion programme and made similar profits. Conditions in the UK had not been favourable recently and the interest in Elegance (Holdings) was sold at an extraordinary loss of £100,000.

The pension fund had been revalued and the action required to be taken with the "useful surplus" will have a positive effect on liquidity and cash flow.

Margins maintained as Bensons rises to £1.25m

Bensons Crisps lifted pre-tax profit 22 per cent and turnover 24 per cent in the year ended November 25 1989.

"We have continued to pursue our strategy of seeking higher margin new business, while investing heavily in new plant and equipment to maintain our position as a low cost producer of both crisps and snacks in a number of niche markets", said Mr Malcolm Jones, chairman.

Sales came to £18.18m (£14.7m) and profit worked through at £1.25m (£1.03m).

In spite of heavy competition and initial costs on developing the private label business, net margins only slipped from 7 per cent to 6.9 per cent, Mr Jones said.

Sight and Sound Animations (models and displays) had a disappointing time although sales rose 14 per cent. This followed investment made in key personnel to expand the business.

The group had completed the major part of its three-year investment programme, Mr Jones said. Some 80 per cent of equipment had been replaced at a cost of £3m and production capacity had almost doubled.

Earnings in the year were 11.9p (9.3p) and a recommended final dividend of 1.65p makes a total of 2.25p (1.75p).

NEWS DIGEST

53% rise for Jones & Shipman

JONES & SHIPMAN, the precision grinding and honing metalworking machine manufacturer, yesterday unveiled taxable profits of £1.71m for 1989 – a rise of 53 per cent on the previous year.

The Leicester-based group's second interim report – the current accounting period covers the 15 months to end-March – showed the increase was achieved on turnover ahead just 13 per cent to £24.58m (£21.82m). The figure would have been 4 per cent higher had the group continued to consolidate North American sales in the figures.

Mr Len Weaver, chairman, said that order intake remained strong throughout 1989 with a 22 per cent increase in value.

He warned, however, that interest rate levels may reduce demand for the group's products in the UK but stressed the buoyancy of export markets: "We are expanding our selling efforts throughout the world in order to mitigate the effects of any possible downturn in our home market" he stated.

A second interim dividend of 1.5p is payable from earnings of 8.6p (6.2p) per share.

ADG worth £3.73m in USM placing

ADG Group, an advertising, recruitment and office interiors company, is joining the USM in a placing that values it at £3.73m.

The company, which was founded in 1987, is joining the market to eliminate bank borrowings and to help finance acquisitions.

It will have a prospective p/e of 4.7, based on a pre-tax profits forecast of £750,000 for the year to June 30 1990; last year it made £396,000. ADG subsequently acquired Gatwick Office Furnishings, which recorded a profit of £301,000.

UTC Securities is placing 10.4m shares at 14p each to raise £1m. Dealings are expected to start on March 5.

Alpha Estates moves ahead to £330,000

Alpha Estates, the Sheffield-based commercial property developer which joined the USM in July 1989, yesterday reported pre-tax profits of £330,000.

Alpha gives no turnover figure for the period. Mr David Linell, finance director, said this was because all the turnover was generated through partnerships, but for the comparable period last time the company reported pre-tax profits of £130,000 from turnover of £373,000.

Mr Andrew Taylor, chairman, said he felt the results did not fully reflect the progress made by the company during the period, nor the level of activities carried on.

Three new sites had been purchased for redevelopment, one in Leeds and two in Sheffield, from which the company expected to derive considerable profit, he said.

Tax took £119,000 (£46,000) after which earnings per 5p share worked through at 1.8p (0.7p). As forecast the directors are paying a maiden interim dividend of 1p.

Meyer pays $7m for laminate business

Meyer International, the timber and building materials distributor, has acquired Macleod Corporation, a laminate business based in Orlando, Florida, for a total consideration of $7m (£4.15m).

Of the purchase price $1m is deferred to September 30 1991 depending on performance.

Meyer has an established laminates business in the UK and initially entered the US market in 1988 through the purchase of Stockline, a Florida-based company.

In the year to end-September 1989 Macleod reported adjusted profits before interest of $1.3m on sales of $27m.

Armitage restricted by interest charges

A sharp rise in interest charges from £64,000 to £265,000 took a sizeable bite out of interim profits at Armitage Brothers, the maker of pet products.

Although operating profits grew 47 per cent from £523,000 to £768,000, at the pre-tax level the increase was a modest 10 per cent at £503,000 (£459,000).

Directors said the unhelpful retail climate seemed likely to continue and the seasonal reduction in sales after Christmas would reduce profitability in the second half.

However, the continuing programme of new product development, together with the expansion of the acquisitions, should ensure a reasonable result in spite of high interest charges, they added.

Turnover in the 28 weeks to December 9 rose from £9.65m to £12.47m. After tax of £185,000 (£166,000) earnings per 10p share came to 8p (7.3p). The interim dividend is 2.4p (2.2p).

Isotron confident for the full year

Isotron, which provides gamma irradiation services, yesterday reported a 17 per cent increase in first half profits and said prospects for the full term looked good.

Turnover in the period to December 31 moved ahead 10 per cent to £2.59m (£2.36m) and the profit was £1.35m (£1.15m). Earnings rose 1p to 7.1p and the interim dividend is lifted to 1.05p (0.87p).

Mr Colin Clive, chairman, said in medical, the main market, there was good progress and turnover rose 11 per cent. Biological also made good progress with several product lines showing good gains in volume. The chemical side was flat but should improve in the second half.

Sharp advance at Pacific Assets

Pacific Assets Trust yesterday announced that its net asset value per 50p share stood at 277.86p undiluted and 248.98p diluted at the end of January this year.

The figures compared with 195.18p and 179.54p respectively at the same stage of 1989.

Net profits for the year rose from £105,000 to £172,000, resulting in earnings per share ahead to 1.43p (0.57p). No final dividend is proposed but the trust has already declared an interim of 0.875p for the year. In the previous year a single dividend of 0.85p was paid.

Murray Income assets rise 26%

The net asset value of Murray Income Trust stood at 272.8p at the end of 1989, an advance of some 26 per cent on the 216.1p figure of a year earlier.

Net revenue for the six months to end-December was £4.26m (£3.67m) and earnings per share expanded from 4.41p to 5.13p. An interim dividend of 5.64p (3.5p) is declared.

COMMODITIES AND AGRICULTURE

Price war looms in potassium nitrate market

By Kenneth Gooding, Mining Correspondent

A MINING project which would increase by more than one third western world production of potassium nitrate, a low-volume, high-value agricultural chemical, is planned by two Canadian companies.

The partners admitted yesterday that the scheme, if it came to fruition, would almost certainly start a fierce price war.

Potasium nitrate is consumed by a small number of specialist agricultural users for high-value crops such as tobacco, some vegetables and in selected hydroponics. Israel and Chile are the dominant producers.

Atacama Resources and Kap Resources – companies listed on the Vancouver Stock Exchange – plan a US$55m scheme to mine a 660 square kilometre area in the arid Atacama desert of northern Chile.

The partners said in London yesterday that output of potassium nitrate from the so-called Yolanda project could begin in only two years' time at an initial annual rate of about 188,000 tonnes.

Total annual consumption of the chemical is estimated to be only 540,000 tonnes.

A study produced for the partners by the David Williamson consultancy group said production on the scale contemplated would depress potassium nitrate prices, but it suggested that Israel, and even Socquimich, the big Chilean producer, had higher production costs.

"Should a price-cutting war develop, Yolanda, with its low costs, should be well placed to gain a significant share of the potassium nitrate market and the long term advantage."

David Williamson said costs would be low because of the relatively high grade material in the deposit and the ease of mining. The *caliche* – a mixture of sand, silt and dissolved salts of nitrates, sulphates, chlorides and iodates – was very close to the surface.

Mining would simply involve ripping the ore with a dozer and transporting it to heap leaching pads. Plain water would be used to dissolve the salts.

Locating enough water on the property, about 100 kilometres from the port of Taltal, might be a problem, said Mr Donald Busby, president of Kap Resources. However, the partners had budgeted for a $3m-$4m pipeline to bring sea water to the mine. Tests on the ore so far had shown that this had no adverse impact on the leaching, he claimed.

Mr Busby and his colleagues, in London to present the plan to institutional investors and analysts, particularly stressed the importance of one of the project's co-products – iodine. According to the David Williamson estimates, iodine would account for about 10 per cent of projected gross revenue.

Mr Busby said iodine was scarce and the partners would have no difficulty in selling as much as they could produce. Iodine is one of the few non-recyclable minerals and is used in various chemical processes from animal feed supplements to X-rays and in pharmaceuticals and medicines. At present, there is no known substitute for its main uses.

At first the project would produce about 350 tonnes of iodine a year from the 1.7m tonnes of ore to be processed. David Williamson suggested that Japan, which currently shares 70 per cent of the market with Chile, would experience a steady fall in iodine exports to leave Chile as the prime producer.

He added, however: "This scenario could see a temporary downturn in market prices in the early 1990s."

Sodium sulphate, used in pulp and paper products, detergents and in printing and textile dyes, would also be a significant by-product.

A $2.2m feasibility study by the Davy McKee consultancy group is expected to be completed by May. If this leads to a go-ahead for mining, the project would be financed partly by new equity and partly by debt raised in Chile.

Davy McKee took tests from 83 sample holes, mostly dug by hand because the surface is so soft and the ore so near the surface. It also took five-metre long samples from trenches dug in the deposit. The partners claimed yesterday that, at current prices for nitrate and iodine, a 26 square kilometre area examined by Davy McKee contained ore worth $960m.

Some analysts were cautious, however. One pointed out that potassium nitrate was a "thinly traded industrial mineral with inelastic demand" and that documents provided by the partners themselves showed that, "at best Chile's potassium and sodium nitrates would appear to be only breaking even. The nitrate industry could not survive financially without the production of by-product iodine."

Mr Euan Worthington, head of the mining team at the Warburg Securities financial services group, said: "There is a lot of fertiliser in the world at the moment. Have they got a market for it? I would advise people to wait and see whether the partners can satisfactorily market their products before investing in their companies."

Tightness in lead supply expected to ease in 1990

By Richard Mooney

THE TIGHT SUPPLY situation that drove the cash lead price up dramatically last week on the London Metal Exchange is likely to ease as the year wears on, according to Billiton-Enthoven Metals.

Concern over low stocks and various production disruptions pushed the price up £68 to a 10-year high of £515 a tonne on the LME last week and the premium over the three months delivery price widened from £23.50 to £83.50 a tonne.

This week, however, the cash price has so far fallen back £27.50 and the premium (or backwardation as it is known in the trade) has narrowed to £60 a tonne.

In its weekly review, Billiton-Enthoven says the greatest impact in terms of supply disruption has been from problems at Nuova Samim's 84,000 tonnes-a-year Porto Vesme plant in Sardinia. Production was halted there last August following a technical failure and the company took the opportunity to implement an already-planned modernisation programme to increase capacity to 100,000 tonnes-a-year.

Samim had expected to reopen the plant in January, but a few weeks ago it announced that no restart was likely before the summer.

"It is no coincidence," says Billiton-Enthoven, "that the recent draw-down in LME stocks has come almost entirely from Genoa and Trieste. At the end of August these two warehouses had a combined 17,650 tonnes of lead on warrant – 63 per cent of total LME stocks. By mid-February they had 2,350 tonnes between them – 18 per cent of a greatly reduced total."

Billiton-Enthoven says that further reductions in stocks cannot be ruled out. "Demand in Europe, although unexceptional, remains firm and there is certainly no surplus of metal in the system." The same is true of America, where there have been supply problems, it says.

"However, we do expect the situation to ease as the year wears on," Billiton-Enthoven says. Chances for a period of very cold weather were disappearing, "diminishing the possibility of a surge in demand for replacement batteries."

Lower car output and reductions in house building because of high interest rates are also expected to hit non-communist world demand, which the company puts at 4.33m tonnes in 1990, down from 4.42m tonnes last year.

Meanwhile production, less exports to communist countries, is seen rising from 4.341m tonnes to 4.37m tonnes, resulting in a net surplus of 40,000 tonnes.

Egypt faces pressure in paying for its imports of food

By Tony Walker in Cairo

EGYPT IS facing increasing difficulties funding its huge food bill and particularly wheat imports, amid signs that its cash reserves are *dwindling* fast. Under pressure from almost all its creditors and starved of new funds, Egypt is being forced to pay cash for a greater proportion of the 6m tonnes of wheat it imports yearly.

This month, it issued two international tenders for 500,000 tonnes of wheat to top up quantities on order from its main suppliers – Australia, the US and France.

The Australian Wheat Board, under pressure from the Australian Government, had said that it could not supply more than 1.5m tonnes this year under a two-year credit arrangement. If Egypt wanted more, it was told, it would have to pay in cash.

Australia, which has scaled back its credit from a three-year to a two-year term, plans to phase out credit sales to Egypt altogether by 1992.

Canada has long since dropped out of the Egyptian market and France has made it clear that it will not continue to supply wheat and wheat flour unless Egypt keeps up to date in its repayments.

Talks on a new Egyptian-French wheat agreement broke down this month when Egypt failed to meet previously agreed repayment terms. Negotiations are set to resume again soon.

Egyptian grain stocks have run dangerously low according to foreign agricultural attaches, who estimate that supplies in hand will last about two weeks at the monthly consumption rate of between 550,000 and 600,000 tonnes.

Delays in a final agreement between the US and Egypt on payments for shipments of PL-480 wheat – wheat sold on US-government backed preferential terms – is one of the factors being cited for the precarious state of the country's grain supplies.

Egypt's food import bill totals about $5bn a year, of which wheat shipments account for about $1.3bn. Egypt is also a heavy purchaser of maize, importing about 2m tonnes annually.

Adding to the present pressure on the authorities is the fact that Egypt is about to enter the time of the year when demand for food supplies is at a maximum. The Moslem fasting month of *Ramadan* – beginning this year in late March – is, paradoxically, a time when food consumption jumps.

Egypt's financial difficulties have been further compounded by the mandatory requirement that it resume payments from late last year on its military debt of more than $5bn. Annual repayments are about $600m. If Egypt reneges, it faces a cessation of almost all US aid under a Congressional law.

In its desperate search for new sources of credit, Egypt has been negotiating a new economic reform package with the IMF and the World Bank. Its present financial difficulties make a new arrangement more urgent.

The country cannot expect any new sources of credit unless it engages in another round of debt rescheduling, and even then foreign creditors are likely to remain extremely cautious.

Alternative world coffee accord backed by Central Americans

IN AN EFFORT to stabilise coffee prices, delegates from Mexico and Colombia have given tentative Central American support to a US-proposed alternative to the International Coffee Agreement, reports Reuter from Guatemala City.

A meeting in the Guatemalan capital ended on Monday night with no clear agreement on the terms for a new pact aimed at reversing the sharp drop in coffee prices following the decision last July to abandon the export quota system through which the old agreement sought to support prices.

A statement released at the end of the meeting went only as far as to say that a US concept paper calling for the establishment of a unified market contained positive concepts that could serve as a basis for negotiations on a new pact.

Earlier, delegates had said they were close to reaching agreement in support of the US document, which stressed a more equitable approach to quotas and said coffee-growing countries should retain 15 per cent of exportable production during the first year of a new accord.

One Central American delegate said *following* the meeting that there had been widespread *support in principle* for the US proposals, but coffee representatives had been unable to agree on specific points to be covered by a new agreement.

The paper drawn up by US officials proposed a single-tier market under which producer members would not export to non-member consumers and member consumers would buy only from member producers. The meeting's organisers urged producing countries to respond individually to the proposals.

International coffee prices have plunged by about 50 per cent since the International Coffee Organisation voted last summer to suspend its quota system and Central American producers have since sought a remedy for current low prices.

Involvement of the US, the world's most important consuming nation, in developing a new system for marketing coffee was viewed by analysts as an important step toward an agreement that both consumers and producers could accept.

The US paper distributed to delegates before the meeting said any successful agreement would have to be based on four principles: equity, market orientation, efficiency and internal consistency.

Countries represented at the meeting are among the producers of so-called "other milds" coffee. They argue that the old quota system gave them an unfairly small share of export markets.

Mr Luis Diego Escalante, Costa Rica's Minister of Foreign Trade and president of the state-run Coffee Institute, said he was disappointed at the failure of delegates to draft a new ICA.

"I would have preferred a stronger statement of support for the US proposal," he said. "It represents the best option available at the moment for establishing a new agreement."

THE NEW York futures market, where "other milds" coffee is traded, showed little reaction to the outcome of the Guatemala meeting, dealers said.

"We weren't expecting to see much from the meeting. There's some sentiment growing among the origins (producing countries) that the coffee market may be all right after all without any new price support agreements," said one trade house analyst.

Neither was there any discernible impact on London's robusta coffee futures market where the May position eased by £1 to £639 a tonne. "The meeting was inconclusive," said one London trader. "But we did not expect it to produce miracles."

Japan's iron ore pricing bid rejected by Brazil

COMPANHIA VALE do Rio Doce, Brazil's main iron ore producer, has rejected an offer by Japanese steelmakers for a 16 per cent rise in the price of shipments in the year ending March 1991, according to industry officials, Reuter *reports* from Tokyo.

In talks which began in January, the company has been asking for a greater price rise because of the improved ore quality, they said.

Nippon Steel Corporation, Kawasaki Steel Corporation, Sumitomo Metal Industries, NKK Corporation, Kobe Steel, Nisshin Steel Company and Nakayama Steel Works are negotiating jointly with the Brazilians.

"The prices of two-thirds of Japan's iron ore imports for 1990 have been raised by 16 per cent, so we hope the talks on Brazilian ore can be settled with the same percentage rise by the end of fiscal 1989 (on March 31, 1990)," a negotiator for one of the Japanese steel companies said.

The industry agreed to pay 15.95 per cent more for Australian ore at the end of January and 16 per cent more for Indian ore at the start of February.

Brazilian suppliers accounted for 23.2 per cent of Japanese iron ore imports in 1989, compared with 45.3 per cent from Australia, the main supplier and 16.3 per cent from India, industry figures show.

US to trade in gas futures soon

By David Thomas, Resources Editor

APPROVAL FOR a contract in natural gas futures was granted yesterday to the New York Mercantile Exchange by the Commodity Futures Trading Commission.

Nymex will become the first exchange in the world to deal in natural gas when trading begins on April 3. June will be the first of 12 consecutive delivery months. Mr Lou Guttman, chairman of Nymex's board, said: "The natural gas industry has demonstrated a high level of interest."

Higher palm oil production forecast

WORLD PALM oil output is expected to grow by 360,000 tonnes this year despite expectations of lower production by Malaysia, the leading producer, according to the Oil World newsletter, reports Reuter from Hamburg. But consumption is forecast to outpace the growth in supply, rising by 1.4m tonnes to 10.8m in the year to September, 1990.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,750-1,800 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.25 (3.90-4.20).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.40-4.70 (4.50-4.75).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.10-8.30 (7.80-7.95).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 225-235 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.73-2.78 (2.65-2.70).

SELENIUM: European free market, min 99.5 per cent, $ per lb, 6.50-6.10 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.45-2.55 (2.40-2.45).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

THE GOLD price fell to a five week low on the London bullion market yesterday, partly in response to the heavy decline in Japanese equities. The $2.75 fall to $408.50 a troy ounce took the fall on the week so far to $7.50 an ounce. Analysts saw the fall partly as a result of disillusionment at yet another failure last week to establish the price firmly above the $420 an ounce mark. That left the market vulnerable to the wave of selling as Japanese investors scrambled for liquidity. Aluminium prices turned downwards yesterday on the London Metal Exchange, after marking time on Monday. The $15 fall to $1,480 a tonne for the cash position was also set in train by early Japanese selling, traders said. The nickel market relinquished some of the gains of the past few days with cash metal falling $225 to $7,575 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.45-8.55z	+.2
Brent Blend	$19.50-9.55z	+.125
W.T.I. (1 pm est)	$21.70-1.75z	+.5
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	
Gas Oil	172-173	
Heavy Fuel Oil	$90-92	-1½
Naphtha	$184-186	-1½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$408.50	+1.75
Silver (per troy oz)♣	517.25c	-5.75
Platinum (per troy oz)	$512.75	-0.75
Palladium (per troy oz)	$131.25	-1.75
Aluminium (free market)	$1485	-10
Copper (US Producer)	120⅝-3½c	
Lead (US Producer)	44½c	+1
Nickel (free market)	360c	-5
Tin (Kuala Lumpur market)	16.65r	-0.19
Tin (New York)	292c	
Zinc (US Prime Western)	69c	+2¼
Cattle (live weight)†	109.00p	-0.22*
Sheep (dead weight)†	206.49p	-1.54*
Pigs (live weight)†	93.43p	+0.12*
London daily sugar (raw)	$351.0x	
London daily sugar (white)	$427.0x	-1.5
Tate and Lyle export price	£322.5	+1.5
Barley (English feed)	£111.6w	
Maize (US No. 3 yellow)	£126.5	-1.0
Wheat (US Dark Northern)	£127	
Rubber (Apr)♥	55.50p	
Rubber (May)♥	58.25p	
Rubber (KL RSS No 1 Mar)	230.0m	
Coconut oil (Philippines)§	$385t	+2.5
Palm Oil (Malaysian)§	$280w	
Copra (Philippines)§	$225	
Soyabeans (US)	£158	
Cotton "A" index	77.90c	-0.2
Wooltops (64s Super)	548p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	634	640	638	629
May	651	655	655	646
Jul	664	665	665	651
Sep	677	684	681	676
Dec	701	706	704	697
Mar	728	728	735	720
May	745	746	740	737

Turnover: 4640 (6075) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 26 807.86 (808.84) 10 day average for Feb 27 783.95 (778.85)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Mar	621	624	624	608
May	639	640	642	623
Jul	650	649	652	634
Sep	662	665	661	650
Nov	674	672	675	662
Jan	686	685	688	684
Mar	701	704	705	701

Turnover: 7396 (4197) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 26: Comp. daily 71.42 (71.40). 15 day average 69.84 (69.80)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	317.00	317.60	317.00	312.60
May	319.80	319.40	320.00	315.00
Aug	319.00	318.60	317.80	316.00
Oct	310.80	310.60	310.40	307.00
Dec	305.00	309.00	305.00	
Mar	287.60	288.60	288.00	287.60
White	**Close**	**Previous**	**High/Low**	
May	423.5	423.5	423.5	420.0
Aug	420.0	421.5	421.0	418.0
Oct	391.0	391.5	390.0	387.5
Dec	370.5	369.5	370.0	368.5
Mar	364.5	363.0	361.0	

Turnover: Raw 18782 (4331) lots of 50 tonnes. White 1257 (843)
Paris- White (FFr per tonne): May 2414, Aug 2412, Oct 2250, Dec 2150, Mar 2120, May 2125.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	19.61	19.58	19.67	19.47
May	19.46	19.56	19.58	19.42
IPE Index	19.37	19.19		

Turnover: 4880 (4302)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Mar	171.50	172.50	173.50	170.00
Apr	167.25	169.50	169.25	166.25
May	166.00	166.00	166.75	163.75
Jun	164.50	164.50	165.25	163.50
Jul	165.75	166.50	167.00	164.50
Aug	167.75	165.00	167.50	
Sep	168.75	167.00		
Nov	172.75	169.00		

Turnover 5474 (5476)lots of 100 tonnes

JUTE
March/April c and f Dundee BTC $600, BWC $610, BTD $585, BWD $555; c and f Antwerp BTC $580, BWC $550, BTD $535, BWD $530.

COTTON
Liverpool- Spot and shipment sales for the week ended February 23 came to 343 tonnes against 246 tonnes in the previous week. Trading was of fair quality with various countries involved, including Israel and Mexico.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,900 tonne
Cash	1479-81	1494-5		1482-3		
3 months	1488-9	1499-500	1503/1485	1488-9	1488-90	5,408 lots
Copper, Grade A (£ per tonne)						Ring turnover 22,925 tonne
Cash	1442-3	1441-3	1450/1446	1450-1		
3 months	1434-5	1431-2	1442/1431	1439-40	1437-8	184 lots
Lead (£ per tonne)						Ring turnover 8,275 tonne
Cash	485-90	495-500	477/476	476-8		
3 months	427-8	431-2	434/428	426-7	427-8	40 lots
Nickel ($ per tonne)						Ring turnover 1,872 tonne
Cash	7550-600	7775-825	7730/7720	7720-5		
3 months	7500-50	7775-800	7750/7500	7700-10	7500-25	14 lots
Tin ($ per tonne)						Ring turnover 735 tonne
Cash	6290-300	6325-45	6275	6260-5		
3 months	6420-5	6450-70	6425/6350	6410-5	6425-35	1,059 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 14,425 tonne
Cash	1446-8	1447-50	1435/1430	1434-5		
3 months	1424-5	1430-2	1428/1412	1418-9	1425-6	839 lots
Zinc ($ per tonne)						Ring turnover 1,150 tonne
Cash	1430-40	1445-50		1421-2		
March 30	1410-20	1420-5		1395-400		lots

LME Closing £/$ rate:
SPOT: 1.6915 3 months: 1.6842 6 months: 1.6425 9 months: 1.6164

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	187.5	189.0	189.0	186.0
May	219.9	219.5	220.0	218.0

Turnover 224 (219) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	124.00	125.00	124.00
Aug	120.00		120.00
Oct	121.00		121.00

Turnover 75 (61) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Feb	1598	1600	1600	1598
Mar	1648	1654	1655	1647
Apr	1650	1660	1661	1650
Jul	1395	1395	1398	1392
Oct	1495	1498		
Jan	1495	1495	1495	
BFI	1603	1593		

Turnover 127 (594)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Mar	112.15	111.60	112.00	111.60
May	115.35	114.75	115.35	114.85
Jun	117.35	116.75	117.35	117.00
Sep	108.30	108.30	108.40	108.30
Barley	**Close**	**Previous**	**High/Low**	
Mar	105.15	104.25	105.15	104.50
May	107.70	106.75	107.70	107.30
Sep	103.60	103.50	103.60	103.60

Turnover: Wheat 123 (47), Barley 61 (27).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	119.0	119.0	
Jun	120.0	120.0	
Oct	120.0	114.5	

Turnover 0 (83) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	408-408½	242¼-242¾
Opening	408¼-408¾	242¼-242¾
Morning fix	407.55	242.324
Afternoon fix	409½-410	241.440
Day's high	409½-410	
Day's low	407-407½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	416-421	246-249
Britannia	416-421	246-249
US Eagle	416-421	246-249
Angel	416-421	246-249
Krugerrand	407-410	241-243
New Sov.	96-98	57-58½
Old Sov.	96-98	57-58½
Noble Plat	514.50-522.65	304.70-309.55

Silver fix	p/fine oz	US cts equiv
Spot	306.50	517.25
3 months	318.15	528.20
6 months	329.95	539.30
12 months	353.00	561.85

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	87	107	1	18
1500	15	48	29	58
1600	1	17	114	125
Copper (Grade A)	**Calls**		**Puts**	
2300	136	141	2	45
2400	54	85	19	88
2500	12	47	76	148
Coffee	**May**	**Jul**	**May**	**Jul**
600	51	68	12	20
650	23	40	34	42
700	9	22	70	74
Cocoa	**May**	**Jul**	**May**	**Jul**
600	56	74	6	10
650	23	41	23	27
700	7	20	57	56
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900		54	5	5
1950	26	27	17	18
2000	8	8		53

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	409.1	409.1	409.0	409.1
Apr	411.4	411.8	412.5	408.7
Jun	417.0	417.4	418.0	415.3
Aug	422.8	422.7	422.7	420.0
Oct	427.5	428.0	428.8	426.0
Dec	433.0	433.2	433.8	431.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	509.0	511.1	514.0	504.6
Jul	516.0	516.1	519.0	509.0
Oct	521.0	522.1	525.0	516.0
Jan	525.0	528.5	526.0	525.0
Apr	535.0	535.1	535.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	508.5	514.8	516.0	508.5
May	517.0	523.0	524.5	516.5
Jul	526.0	531.1	533.5	522.5
Sep	534.0	539.7	541.0	532.0
Dec	546.0	551.5	554.0	542.5
Mar	559.0	563.3	564.0	559.0
Jul	575.0	580.1	575.0	573.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	111.70	113.85	113.75	111.50
Apr	109.80	110.30	110.50	109.80
May	106.90	107.05	107.40	105.80
Jun	104.00	105.15	105.20	104.60
Jul	103.20	103.15	103.40	102.00
Aug	102.50	102.35	102.50	0
Sep	101.50	101.35	101.50	100.40
Oct	100.00	100.75	0	0
Dec	98.90	99.25	98.90	98.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	21.75	21.79	21.96	21.60
May	21.82	21.88	22.03	21.66
Jun	21.81	21.86	21.99	21.62
Jul	21.62	21.70	21.78	21.50
Aug	21.47	21.54	21.62	21.32
Sep	21.38	21.44	21.42	21.22
Oct	21.39	21.43	21.40	21.20
Dec	21.36	21.45	21.40	21.27
Jan	21.27	21.46	21.40	21.27

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 27	Feb 26	mnth ago	yr ago
1826.2	1826.5	1785.0	1952.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 26	Feb 23	mnth ago	yr ago
Spot	130.97	131.29	127.08	135.94
Futures	131.68	132.42	128.27	138.88

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5845	5905	5935	5810
Apr	5750	5800	5815	5710
Jun	5610	5655	5630	5575
Jul	5610	5626	5615	5580
Aug	5665	5685	5665	5620
Sep	5770	5801	5780	5765
Dec	5966	5996	6015	5970

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1048	1045	1048	1027
May	1026	1019	1030	1003
Jul	1031	1027	1035	1012
Sep	1046	1040	1048	1026
Dec	1072	1072	1075	1053
Mar	1086	1085	1086	1078

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	90.25	91.42	91.35	90.00
May	91.10	92.66	92.70	90.75
Jul	92.50	94.01	94.25	92.30
Sep	94.25	95.50	95.50	93.80
Dec	96.75	98.00	97.60	96.00
Mar	99.25	100.38	0	99.25
May	101.00	102.25	101.00	0
Jul	105.00	102.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.38	14.42	14.38	14.13
May	14.40	14.48	14.49	14.23
Jul	14.33	14.35	14.35	14.12
Oct	13.95	14.00	13.97	13.78
Mar	13.24	13.29	13.25	13.09
May	13.10	13.14	13.05	13.00
Jul	13.00	13.00	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	68.30	68.55	69.40	68.35
May	70.63	70.06	70.75	69.92
Jul	70.90	70.40	71.00	70.20
Dec	64.60	64.91	64.90	64.55
Mar	65.50	66.60	65.50	65.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	193.90	194.10	197.00	192.80
May	191.20	190.35	193.50	189.60
Jul	188.80	187.40	191.25	186.50
Sep	186.00	183.60	188.75	183.00
Nov	180.45	179.45	180.50	180.00
Jan	177.50	176.50	177.50	177.40
Mar	175.30	176.50	175.30	175.30

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	562/0	561/6	563/4	560/4
May	575/0	574/2	576/2	573/0
Jul	586/0	585/6	588/0	584/4
Aug	589/4	588/6	590/6	588/4
Sep	589/0	588/4	590/4	588/0
Nov	593/0	594/2	596/0	592/4
Jan	603/0	603/6	605/0	602/4
Mar	613/0	613/6	614/4	613/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.60	20.48	20.60	20.35
May	20.78	20.66	20.80	20.55
Jul	20.86	20.79	20.93	20.68
Aug	20.80	20.71	20.80	20.60
Sep	20.65	20.57	20.65	20.50
Dec	20.40	20.33	20.40	20.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	165.4	166.4	166.5	165.1
Jul	169.4	169.4	170.5	169.2
Aug	171.5	171.4	172.5	171.1
Sep	173.4	173.4	174.0	173.2
Oct	174.7	174.5	175.5	174.5
Dec	177.7	177.6	178.5	177.0
Jan	179.3	179.3	179.8	179.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	244/6	246/0	246/0	244/6
May	251/2	253/0	252/6	251/2
Jul	255/4	257/2	256/6	255/4
Sep	253/6	255/0	254/2	253/0
Dec	251/6	253/0	252/2	250/4
Mar	257/6	259/0	258/2	256/4
May	260/0	261/2	261/0	260/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	363/2	368/0	368/0	362/0
Jul	346/4	346/6	346/6	344/0
Dec	364/4	363/4	364/4	362/0
Mar	371/0	371/0	371/0	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	75.37	75.27	75.40	74.75
Jun	70.72	70.47	70.82	70.00
Aug	70.35	69.95	70.40	69.60
Oct	72.42	72.30	72.47	72.02
Dec	72.82	72.77	72.85	72.55
Feb	72.70	72.80	72.70	72.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	49.82	49.72	49.85	49.20
Jun	54.52	54.70	54.60	54.02
Jul	53.97	54.15	54.15	53.65
Aug	51.82	51.85	51.90	51.15
Oct	47.02	47.10	47.10	46.70
Dec	47.20	47.47	47.50	47.15
Feb	47.82	47.82	0	0
Apr	45.70	45.90	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	51.27	53.27	53.12	51.27
May	52.70	54.70	54.50	52.70
Jul	53.50	55.45	55.50	53.45
Aug	51.67	53.67	53.37	51.67
Feb	55.85	57.75	57.65	55.85
Mar	56.00	58.00	57.00	56.00

LONDON STOCK EXCHANGE

Shares hold steady in thin trading

IT WAS a session of consolidation on the London stock market yesterday, as the recovery in the blue chip stocks was supported by firmer trends in equities both in New York and Tokyo. The final hour of trading saw share prices firming in wake of a good, if somewhat, uncertain opening to the new Wall Street session.

The big investment institutions showed little inclination to chase the UK market much above the FT-SE 2,250 area regained so triumphantly on Monday. Trading volume remained very thin and the market's fragility was displayed in mid-afternoon when London proved reluctant to move above its overnight levels when New York hesitated.

London opened well on the back of the overnight recoveries of 576 points on the Nikkei Index and 38 on the Dow Average. But the early gains were not supported and despite good trading news from Unilever, the stock market soon came off the top, and not until Wall Street moved higher did London venture upwards again.

At its final reading of 2,254.8, the FT-SE Index was 5.5 points ahead, with the recovery from the 2,200 level seen early on Monday emphasising the view of many strategists that a trading range of 2,200 to 2,300 may be held for the near term.

But the mood remained cautious ahead of today's publication of the UK trade figures; the equity market's median forecast is for a January trade deficit slightly larger than the £1.1bn deficit on current account recorded in December.

The outlook for the Tokyo market is still regarded as "fragile" by London traders who were also puzzled yesterday by Wall Street's early performance.

London trading volume of 362m shares, compared with 337m on Monday, continued to give cause for heartache among trading firms, where hints of further redundancies are circulating again. The mood was not helped by electronic problems in late afternoon at one of the market's leading trading firms.

Once again, the stock market was led from the futures market for much of the session. The mid-afternoon pause appeared to reflect selling of the FT-SE futures contract by a US house; the same house later turned buyer of the future contract which closed at a 16 point premium, helping the cash market.

The recovery in market confidence clearly remained somewhat hesitant. Bearish fears were revived at a UK Investment Strategy Conference in London held by Kleinwort Benson Securities, which repeated the firm's view that, "The UK equity market should be sold, as we see the FT-SE 100 falling to around the 2,000 level, reflecting the deterioration in the outlook for interest rates and earnings growth."

Account Dealing Dates

*First Dealings:	Feb 12	Feb 26	Mar 12
Option Declarations:	Feb 22	Mar 8	Mar 22
Last Dealings:	Feb 23	Mar 9	Mar 23
Account Day:	Mar 5	Mar 19	Apr 2

*New time dealings may take place from 9.00 am two business days earlier.

Unilever profits please

Full-year results from Unilever, the Anglo-Dutch food and personal products group, turned out to be higher than expectations in the London market. Profits for 1989 rose 24 per cent to £1.8bn, against forecasts of £1.73bn, and pushed Unilever 5 better to 630p on turnover of 3.7m shares.

Initially analysts were doubtful about the profits pattern. In particular, an exceptional credit from its Ghanaian operations added an unexpected £30m, while currency factors accounted for 26 per cent of earnings-per-share growth.

This concern was reflected in the Dutch market, where some hesitancy in the NV stock was noted, as analysts there pointed to the impact of currencies in limiting NV profits growth.

However, the Netherlands eventually followed London's lead as some UK analysts raised their forecasts. Mr Richard Workman of Hoare Govett now expects £2.01bn in 1990 against £2.00bn previously estimated, though Mr David Lang at Henderson Crosthwaite left his £1.9bn estimate unchanged.

STC disappoints

Results from STC, the electronics group, provided little support for the optimism which has been boosting the shares ahead of the trading figures. The statement gave no news on the share stake held by Northern Telecom nor of any sale of a stake in the computer subsidiary to an overseas buyer; moreover, it disclosed that the results had been inflated by a pensions holiday.

STC shares have risen strongly over the past two weeks as the markets has focused on suggestions that Northern Telecom was about to place its 27.5 per cent stake in STC and on whispers that an overseas group was about to take up a 25 per cent holding in ICL, STC's computer subsidiary.

STC's figures, showing pretax profits up from £230m to £278m initially surprised the market, which had been expecting a figure of around £250m to £260m. But a quick reappraisal showed the figure included a pension holiday which accounted for some £36m, thereby reducing the underlying figure to what one trader said was a disappointing £242m. The dividend was as expected.

Selling pressure subsequently lowered the share price to 247p, before a close of 249p, a net decline of 13, with specialists describing the results as "a let-down." Estimates of pre-tax profits for the current year range from £270m to £290m with most bunched in the £280-290m range.

A generally easier banking sector reflected nothing more than small-scale profit-taking after Monday's sharp gains, dealers said. Lloyds, on turnover of 2.9m, and Midland, where 2.1m changed hands, fell 3 apiece to 287p and 333p. There was keener interest in TSB, which eased 2 to 136p on 5.8m. Abbey National moved against the trend, edging up 4 more to 185p in front of today's figures.

In merchant banks, continued takeover speculation saw Hambros add 4 at 315p. Kleinwort Benson hardened 2 to 405p. Elsewhere, Provident Financial advanced 6 to 386p.

The insurance stocks opened with modest gains, shrugging aside the latest bout of appalling weather to hit the UK, but gradually gave way under persistent small selling pressure. The selling was said to have been partly triggered by a profits downgrade by Charterhouse Tilney, the Liverpool-based stockbroker.

Of the composites Commercial Union, reporting preliminary figure today, dropped 12½ to 474½p, on turnover of 1.6m, General Accident, also due to release figures today, lost 18 to 1105p, while Sun Alliance retreated 9 to 302p and Guardian Royal 3 to 237p. Of the life stocks Legal & General gave up 6 to 383p and Prudential 2½ to 205p.

Sedgwick, the insurance broker, retreated 11 to 251p on turnover of 2.5m following preliminary profits of £85.2m against last time's £77.9m.

The oil majors "held their own but did little more" according to one dealer. BP managed a 3 gain at 336½p on turnover 3.2m. Shell were the same amount ahead at 462p on 1.7m, helped by a firm performance by Royal Dutch in the US. LASMO held at 619p in front of today's preliminary results which are expected to show net income in the region of £60m. Dealers are also looking for confirmation of good news from the company's Westray well in the North Sea.

The overnight strength of Wall Street gave Reuters a good start and an advance which the shares never looked like giving up. Dealers explained that the stock will not go ex dividend in New York until next month, adding that US interest continued yesterday. The shares traded in a narrow range between 1040p and 1048p before finishing at the top, a net 17 higher.

Saatchi and Saatchi moved erratically in a small range in the absence of further news from the company. The shares closed unchanged at 136p after steep falls last week in the wake of the company's report and accounts, and ahead of a profits warning on Friday. Turnover, at 1.4m shares, was down on recent days, but still better than-average over a longer time scale.

Light demand exacerbated a stock shortage in BAA. There was continued vague talk that ADT, which has an 8.2 per cent stake, would redouble its efforts to remove the Government's golden share, which prevents takeovers. BAA firmed 3 to 389p.

A stock shortage helped ICI add 13 at 1063p.

Profit-takers late in the day pulled BET back after earlier gains and the shares closed unchanged at 238p in two way trade of 2.4m shares. The company said it was seeking buyers for its joinery and home improvements businesses as part of its strategy to concentrate on support services.

BET also said it was to issue the remaining $140m (£82m) in US variable dividend preference shares through a private placing with Merrill Lynch. The first placing to raise $165m took place in March 1989. The company said the placing would help offset the £192m Hestair acquisition made last January.

The two moves are not directly connected but analysts believe both are part of BET's plans to reduce the level of debt.

BTR gained 8 to 412p on turnover of 3.8m with Smith New Court reported to have been the big shoppers. US buying was reported in ADT and the shares added 2½ to 186p.

Rolls-Royce closed 3 up at 172p in two way trade of 4.7m shares. County NatWest this morning publishes a weighty buy recommendation on the company saying that Rolls has "vast overseas earnings, strong growth in civil aircraft engines and a good base in military engines which is not likely to go away."

Bargain hunters and the prospect of the ending of the 17-week strike in support of a claim for a shorter working week, helped British Aerospace add 6 to 501p.

A squeeze continued in IMI and the shares responded by gaining another 4 to 214p.

A buy recommendation from Charterhouse Tilney helped Hawker Siddeley recover some of its recent falls. The shares added 11 at 624p.

Asda added 1¼ at 111p on 3.8m on brisk business in the traded options market, where an equivalent of 2.4m shares changed hands. Options business in Asda was boosted by several mildly bullish trades, which would maximise returns between 110 and 120p.

The stores sector continued to be actively traded. Two US-owned securities houses Morgan Stanley and Salomon Brothers published detailed sector views, although the stances taken were markedly different. Mr Jeremy Alun-Jones at Salomon was the more unequivocally cautious, saying that 1990 would be worse than 1989 with the stores sector set to record a dismal performance over the next six months. "We foresee stores sector earnings growth below that of the market during the early 1990s."

Messrs Nick Bubb and Mark Husson at Morgan Stanley, by contrast, emphasised the cyclical nature of retailing. They acknowledged that 1990 would be "grim," but added that retailers would be able to take the opportunity "to fine-tune new concepts before the upswing in 1991/1992." Their prognosis was, however, still bearish. They listed 10 structural factors "which are contributing towards the Ice Age in UK retailing." They include inflation in unit labour costs outstripping selling-price inflation, and overcapacity in fashion and footwear.

A European Community official quoted as saying that the EC did not intend to insist on increased animal testing of cosmetics helped Body Shop recover from some of the sharp falls of recent days. The shares rose to 515p at one point before settling at 497p, still a rise of 22.

News of a rejected £700m offer from Rhône Poulenc, the French chemicals company, for Boots' pharmaceuticals division initially pushed the latter's shares 10 better. But they slid for the rest of the day closing 3 higher on balance at 266p.

Ratners firmed 4 to 233p as the company indicated to at least two securities houses that it was not going to bid for Kay's, the US jewellery chain. Kingfisher climbed 6 to 284p as thin buying ahead of figures late next month led to a shortage of stock.

Shares in A Goldberg, the loss-making fashion retailer, trickled back for most of the day on further consideration of last week's announcement regarding store closures and staff cutbacks. But the revelation that Fletsand, the private investment group which owns the Lewis's department store chain, had lifted its stake in the company to 25.1 per cent, turned the stock around. Fletsand already held 5.1 per cent of Goldberg and bought the extra 20 per cent from Charterhall at 68p. Goldberg recovered from its low of 51p to close at 55p, still 6 lower on the day.

Queens Moat Houses slipped 3 to 94p after the announcement of the previous evening that the company's bid for Norfolk Capital had gone unconditional. Norfolk closed unchanged at 37½p.

Carlton Communications recovered from early weakness to close 3 better at 745p as the company held meetings with at least one securities house.

Racal Electronics were a shade firmer at 221p after news of a profits downgrading by County NatWest and late news that US investors had again been reducing their holdings of the shares. ADRs held by BNY Nominees, representing the Bank of New York, now account for 274.46m, or 21.17 per cent of Racal Electronics shares, down from the last-announced figure of 22.26 per cent. County lowered its profits forecast for 1990 from £310m to £306m and for 1991 from £340m to £330m.

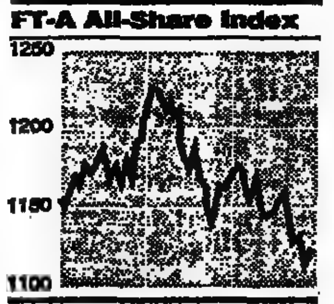
United Scientific, the subject of a takeover bid last year from Meggitt Holdings, rose 2 to 83p after news that IEP Securities, controlled by Sir Ron Brierley, the New Zealand entrepreneur, had taken a 9.29 per cent stake in the company.

Hartwell, the subject of a £172.4m bid from Jameel, closed unchanged at 156p as Jameel said Hartwell had failed to disclose an agreement with Mercantile Credit Group which has a 6.8 per cent stake in Hartwell. The agreement is to retain its holding for at least a year from March 1989. Jameel said it would make a complaint to the UK takeover panel to force Hartwell to make the disclosure in its next defence document.

An £164m agreed bid by South African-controlled Transatlantic for Continental Industrial Trust left the latter 82 higher at 925p. Transatlantic already had a controlling interest in the investment trust.

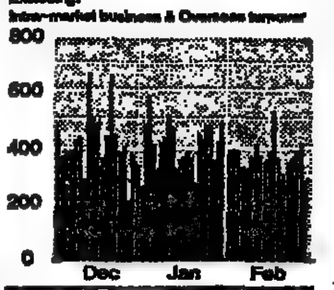
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	80.29	80.26	80.15	79.91	80.00	87.86	89.29 (8/2/89)	79.67 (20/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.41	89.35	89.20	89.85	90.40	95.57	98.69 (15/3/89)	89.20 (23/2/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1781.5	1778.1	1762.3	1789.6	1783.8	1550.0	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	284.7	284.2	295.5	303.3	310.5	172.6	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2254.8	2249.3	2235.7	2259.2	2259.7	2002.4	2443.7 (3/1/90)	1782.8 (3/1/89)	2443.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.69	4.91	4.94	4.87	4.85	4.51				
Earning Yld % (full)	11.62	11.57	11.75	11.57	11.73	11.59				
P/E Ratio (Net)(c)	10.43	10.38	10.31	10.47	10.33	10.92				
SEAQ Bargains (5pm)	22,246	24,212	26,393	22,490	25,172	23,682				
Equity Turnover (£m)†	-	877.51	845.31	833.45	778.66	880.07				
Equity Bargains†	-	24,880	27,441	23,311	24,517	25,738				
Shares Traded (ml)†	-	288.7	407.5	395.9	359.7	372.2				

Ordinary Share Index, Hourly changes — Day's High 1781.5 — Day's Low 1776.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1780.1	N/A	1778.4	1781.5	1779.9	1780.0	1778.8	1777.6

FT-SE, Hourly changes — Day's High 2257.5 — Day's Low 2249.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2254.5	2250.3	2252.6	2256.4	2254.5	2254.1	2249.4	2250.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. [illegible]

GILT EDGED ACTIVITY

Indices	Feb 26	Feb 23
Gilt Edged Bargains	74.5	72.3
5-Day average	78.6	81.6

*SE Activity 1974. [illegible]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
British Telecom	3,300	289	+1	ICI	1,000	1063	+13	Rothmans	180	826	+3	Wellcome	337	677	
Bunzl	176	104		Inchcape	649	260	−7	Ryl Bk Scotland	292	190	+1	Whitbread 'A'	1,400	398	+4
Burmah Oil	320	610	−4	Kingfisher	750	284	+6	Royal Insurance	717	489	−7	Williams Hldgs.	650	244	+9
Burton	1,700	174	−3	Ladbroke	1,100	297	+1	STC	6,000	249	−13	Willis Faber	404	261	−1
Cable & Wire.	1,600	523	−2	Land Securities	2,500	477		Saatchi	1,400	136		Wimpey	244	228	−4
Cadburys	1,400	317	+1	Laporte	399	496	−6	Sainsbury	692	264	+3				
Calor Group	565	312	−2	Legal & General	1,100	383	−6	Scottish & New.	477	310	+3				
Carlton Comms.	648	745	+3	Lloyds Abbey	652	302		Sears	2,700	102½	+½				
Coats Viyella	613	132	−1	Lloyds Bank	2,900	287	−3	Sedgwick	2,500	251	−11				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (8).

BRITISH FUNDS (2) Exch. 2½pc 1990, Treas. 3pc 1990, BUILDINGS (1) Birse, ELECTRICALS (1) 438 Kent, TRANSPORT (1) Air London, TRUSTS (1) Cont. & Indl., OILS (1) Richmond Oil & Gas, MINES (1) Paringa Min. & Expln.

NEW LOWS (63).

BANKS (1) Tokai Bank, BUILDINGS (1) Hewetson 7pc Pf., CHEMICALS (2) Amersham Intl., Wolstenholme Rink, STORES (3) Bentalls, Goldberg (A), Great Universal, ELECTRICALS (5) Electron House, Emess 6¼p Pf., Misys, Telecomputing, Western Selection, ENGINEERING (4) Chemring, Haden MacLellan, MS Intl., TACE, INDUSTRIALS (11) [illegible] Yellowhammer, PROPERTY (6) Citygrove, Ewart, Fletcher King, London Securities 5pc Pf., McKay Securities, Merlin Intl. Props., TEXTILES (1) [illegible], TRANSPORT (1) Rockwood 9½pc Pf., TRUSTS (4) JF Philippine Fd., Merlin Intl. Green, Nth. Brit. Canadian, Portugal Fd., OILS (4) Crusader, Kelt 6pc Pf., NZ Oil & Gas, Petrofina, MINES (2) Elders Res., Metana Minerals.

APPOINTMENTS

Changes at Kingfisher

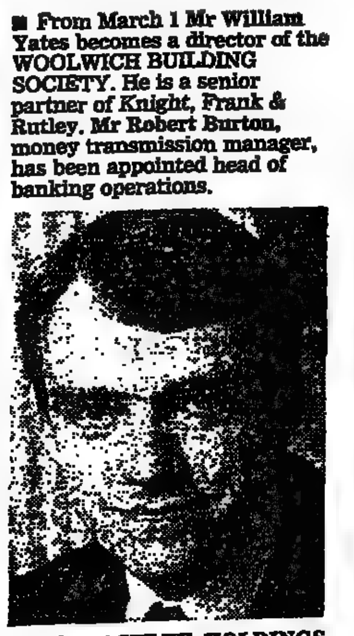
Mr Ronald Goldstein retires from the board of Superdrug from July 31, but remains on the board of parent company KINGFISHER as a non-executive director. Mr Peter Goldstein relinquishes his posts at Superdrug from March 31, but remains on its board as a non-executive director. They were joint chairmen and managing directors of Superdrug Stores, and have agreed to remain in their new posts with the Kingfisher Group up to January 31, 1993. Mr Vic Steel, executive director of Kingfisher, and chairman of its High Street division, will take over as chairman of Superdrug. Mr Alan Smith joins Superdrug next month as managing director. He is managing director of Victoria Wines.

■ Mr Terry Mahoney has been appointed a director of BARINGS INTERNATIONAL INVESTMENT MANAGEMENT. He was with Paine Webber. At Baring Brothers (IOM) Mr Philip Scales has become managing director and Mr Stuart Clague, a former general manager of the Isle of Man Bank, has joined the board as a non-executive director.

■ *Mr Peter Johnson*, managing director of Park Foods, has been appointed non-executive chairman of NIGHTFREIGHT HOLDINGS, Liverpool. Mr Russell Black, managing director, becomes chief executive.

■ Mr David Gray has been promoted from treasurer to group finance and treasury manager at FIRST LEISURE CORPORATION from March 1.

■ From March 1 Mr William Yates becomes a director of the WOOLWICH BUILDING SOCIETY. He is a senior partner of *Knight, Frank & Rutley*. Mr Robert Burton, money transmission manager, has been appointed head of banking operations.



LAURA ASHLEY HOLDINGS has appointed Mr Andrew Higginson *(above)* as finance director. He was finance director of Guinness Brewing International.

Mr Ian Harkness *(above)* has been appointed to the new post of director of trading with LONDON REGIONAL TRANSPORT. He was marketing director, London Buses, and now becomes responsible for most of the separate trading units of LRT, including the Victoria Coach Station, London Transport Advertising, London Transport International Services, Tendered Bus Unit, the Unit for Disabled Passengers, LT Catering, and the London Transport Museum.

■ SUN ALLIANCE GROUP has made the following appointments from April 1: Mr M.R.K. Booth to be manager, mortgage business, Sun Alliance & London Assurance Co, in addition to his post of managing director, Sun Alliance Mortgage Co; Mr B.J. Hall is promoted from divisional manager, special risks, Sun Alliance international, to manager, agency division, Sun Alliance & London Insurance Co; and Mr J. Symes is promoted from manager, investment and savings business and unit funds, to director, Sun Alliance Investment Management, succeeding Mr D.P. Tandy who retires on March 1.

■ *SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY*, Glasgow, has appointed Mr Roy Nicolson, an executive director, as deputy chief general manager. He was general manager (corporate services), and will retain responsibility for corporate services.

■ Mr Philip Case becomes an executive director of TANGIBLE SECURITIES.

■ STOCK GROUP, private client stockbrokers, has appointed Mr Roderick Davidson as chairman, Mr Iain Robertson as deputy chairman, and Mr Angus Samuels as chief executive. The group is the holding company of private client businesses in London, Jersey and Guernsey which were acquired from Security Pacific Hoare Govett in 1988 along with Campbell Neill in Scotland. It also owns Stock Beech in Bristol and Birmingham. Recently the group acquired the private client business of Chase Manhattan Securities. Stock Group is a wholly-owned subsidiary of British and Commonwealth Merchant Banking Group.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	253	+3	44c	1.4	7.9	9.0
191	134	Abbey National 10p.	185	+4	£7.7	2.7	5.5	7.6
*282	120½	Allied Irish Ord.	248	+4	[illegible]	3.3	3.2	12.8
£13½	£11½	Algemene Fl.10	£11½	—	Q28%	2.0	7.9	6.3
*85	61	Anglo Irish	78	—	Q18.7%	2.7	5.7	10.6
81	57	Ansbacher (H.) 1p.	73	—	2.0	–	3.7	–
£72¼	£38½	Bancaire Cie Fr100	£52¼	—	[illegible]	–	2.5	–
£46½	£35½	Banco Bilbao Viz.	£38	—	Q35.7%	2.0	3.6	13.9
£33	£25¾	Banco de Santander	£25¾	—	Q25%	2.4	4.1	5.5
*286	169	Bank Ireland Ir£1.	261	+5	[illegible]	3.2	4.5	8.9
£19½	£17½	Bank Leumi	£19½	—	–	–	–	–
350	345	Bank Leumi (U.K.)	345	—	†13.5	–	5.2	–
125	88	Bank Scotland	114	—	†3.8	3.6	4.4	8.2
111¼	95½	Do. 9¼pc Irrd Pf.	96½	–½	9¼%	–	12.8	–
*67	49	Bank of Wales	52	—	2.8	1.6	7.2	10.9
*588	404	Barclays £1	564	–2	†23.0	3.5	5.4	6.4
31	19	Benchmark 20p.	19	—	1.63	1.0	11.4	10.9
363	285	Brown Shipley £1.	310	—	†10.5	–	4.5	–
455	325	Cater Allen £1	410	—	23.5	–	7.6	–
259	157	Chancery	162	–2	†8.0	2.8	6.6	7.1
£23¼	£14½	Commerzbk DM10	£20½	+½	Q18%	–	3.2	–
*£29	£22½	C'hgn.Hbk.Kr100	£24¼	–½	Q15%	–	6.0	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	124	Scapa Group	142	–1	†h4.99	2.9	4.1	9.3
£32¼	£17¼	Schlumberger $0.01	£28¼	—	Q$1.20	–	2.5	–
323	218	Scott Robertson	248	—	†5.0	3.4	2.7	13.4
159	115	Do. 7¼pc Cv.Rd.Pf.	125	—	7½%	–	8.0	–
191	103	Scot. Heritable Tst.	106	+1	†6.0	3.3	7.5	5.3
*1060	385	Securicor Group	890	–2	1.52	◆	0.2	◆
*985	387½	Do. 'A' N-V	825	–3	1.52	◆	0.2	◆
319	199	Securiguard Grp 5p.	305	+3	8.0	◆	3.5	◆
[illegible]	[illegible]	[illegible]	175	—	†5.0	2.1	3.8	14.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For Water Package Units see Recent Issues

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	83	......
Craig & Rose £1 ... γ	820	......
Finlay Pkg. 5p ... γ	58	......
Holt (Jos) 25p ... γ	1340	+3

IRISH

Cap. 8½% Ln. 1991 ...	£96½	......
9pc Cap Ln. 1996 ...	£90¼	......
Fin. 13% 97/02 ...	£108	......
Arnotts ...	440	......
Carrol (P.J.) ... γ	158	+3
Hall (R. & H.) ...	185	......
Helton Hldgs ... γ	90	......
IRG ...	210	......
United Drug ...	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	49.36	49.36xd	53.01	+0.48	5.17
Gilts & Fixed Int	6	105.9	105.9	112.4	+0.5	9.79
High Inc Equity	6	131.9	135.1xd	143.8	+1.5	4.49
Worldwide Bond	6	192.2	192.2xd	203.7	+0.7	8.35
Capital Growth						
American Growth	6	177.8	177.8xd	190.2	+2.7	1.15
Asian Pacific	6	123.9	123.9	132.6	+2.4	0.00
Assets & Earnings	6	152.9	152.9	163.6	+1.9	3.99
Capital Reserve Acc	0	89.02	89.02	89.16	+0.2	6.73
Capital Reserve Inc	0	78.98	78.98	79.11	+0.18	7.44
Commdty & Energy	6	107.1	107.1	114.6	+0.6	0.73
Dividend & Growth	6	45.87	46.96	49.96	....	4.50
1992 Enterprise	6	60.35	60.35	64.55	+0.38	2.51
Euro Capital Acc	6	96.16	96.16	102.9	+0.6	0.92
Euro Capital Inc	6	92.72	92.72	99.17	+0.59	0.94
General	6	170.3	170.3xd	182.2	+1.4	2.74
International	6	59.03	59.03xd	63.14	+0.39	0.79
Japan	6	101.1	101.1	108.2	+4.3	0.00
Mastertrust	6	86.56	86.56	92.58	+1.32	1.53
UK Growth Acc	6	175.2	175.2	187.4	+1.3	1.64
UK Growth Dist	6	115.8	115.8	123.9	+0.9	2.49
US Emerging Cos	6	31.59	31.59	35.10	-0.05	0.00
Income & Growth	6	293.2	293.2	313.6	+3.1	3.27
Ethical	6	47.78	49.85	53.19	+0.30	1.9[illegible]

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Abtr Inc & Growth	5¼	30.92	30.92	33.00	+0.35	3.13
European	5¼	81.00	81.15xd	86.63	+0.21	0.00
European Income	5¼	77.98	78.10xd	83.98	+0.67	1.90
Inamgt	1	722.3	722.3xd	751.2	+5.80	1.26
Extra Income	5¼	41.97	41.97	44.81	+0.34	4.34
Far East Emerg Eco	5¼	61.64	62.98	67.30	+0.28	0.00
Fund Inv Tst	5	123.4	128.4	137.1	+0.20	1.40
Do Accum	5	193.4	201.4	215.0	+0.40	1.24
Gilt & Fixed Int	5¼	18.98	18.78	20.04	-0.20	12.38
Income & Growth	5¼	67.81	67.81xd	72.39	+0.58	3.75
Intl Income	5¼	61.72	61.72xd	65.89	+0.67	4.73
Japan	5¼	179.7	179.7	191.9	+4.80	0.00
Pacific (10-1)	5¼	42.29	42.90	45.95	+0.74	0.01

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	102.7	108.2	-0.1	-
Managed Growth	135.5	142.7	-1.0	-
Managed Opportunity	138.8	146.2	-1.2	-
NFMC Target Financial	100.8	106.2	+0.3	-
Pension Funds				
Managed Cautionary	107.6	113.3	+0.1	-
Managed Growth	139.5	146.9	-0.9	-
Managed Opportunity	140.3	147.7	-1.4	-
NFMC Target Mngd Pens	1488.2	1566.6	+19.6	-

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	224.0	235.8	----	-
Managed Prospect Fund	188.0	197.9	----	-
Pens Managed	283.5	298.5	----	-
Pens UK Equity	340.1	358.1	----	-
Pens Overseas Equity	374.4	394.2	----	-
Pens Property	162.8	171.4	----	-
Pens Fixed Interest	172.0	181.1	----	-
Pens Index Linked	142.2	149.7	----	-
Pens Deposit	189.8	199.8	----	-
Harvester & P.R.P.				
UK Equity	148.6	156.5	----	-
Overseas Equity	134.0	141.1	----	-
Fixed Interest	117.5	123.7	----	-
Property	135.4	142.6	----	-
Index Linked	129.2	136.0	----	-
Deposit	131.6	138.6	----	-
Managed	142.8	150.4	----	-
With Profits	135.0	142.2	----	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	336.0	353.7	+3.0	-
UK Equity	429.9	452.6	+3.9	-
Overseas Eq	342.3	360.4	+3.4	-
Americas	252.7	266.0	+4.4	-
Far East	381.6	401.7	+9.0	-
Property	219.9	231.5	+0.1	-
Fixed Int	217.9	229.4	+0.4	-
Indexed Gilt	138.0	145.3	+1.0	-
Deposit	159.9	168.4	----	-
Pension Fund (Accum Units)				
Managed	452.6	476.5	+4.7	-
UK Equity	533.3	561.4	+4.9	-
Overseas Eq	553.1	582.3	+9.3	-
Americas	332.6	350.2	+5.7	-

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Property Initial		167.7	----	-
Money Initial		78.8	----	-
Special Market Initial		134.7	----	-
Japan Equity Initial		102.5	----	-
North American Initial		77.9	----	-
Pacific Initial		77.1	----	-
Technology Initial		105.3	----	-
Nat Resources Initial		56.4	----	-
European Initial		98.2	----	-
Residential Prop Init		103.5	----	-
Swiss Equities Initial		35.3	----	-
Hong Kong Initial		45.5	----	-
UK High Inc Eq Init		67.8	----	-
Int Fixed Interest Init		48.6	----	-
Int Managed Init		54.3	----	-
HIP Managed Init		112.6	----	-
Broker Funds				
High Performance	73.4	77.4	----	-
Towerhill Mngd Fd Acc	51.0	53.7	----	-
YRA Executive Fd	90.3	95.2	----	-
E Global Growth Acc	130.5	137.6	----	-
E High Income Money Acc	111.4	117.7	----	-
IM Balanced		53.8	----	-
H.F. Speculator Fd		150.9	----	-
PEP Acorn II		122.0	----	-
PEP Cautionary		89.6	----	-
AAFS Int Man Fund		118.6	----	-
Andrews-Green Inv Port		102.1	----	-
Individual Pension Funds				
UK Equity Acc	217.7	229.7	----	-
UK Fixed Interest Acc	176.4	186.1	----	-
Intl Equities Acc	233.2	246.0	----	-
UK Managed Acc	178.1	187.8	----	-
Property Acc	210.7	222.3	----	-
Money Acc	135.8	143.3	----	-
Special Market Acc	270.5	285.4	----	-
Japan Equity Acc	208.1	219.6	----	-
North American Acc	120.6	127.3	----	-
Pacific Acc	187.8	198.2	----	-
Technology Acc	178.3	188.1	----	-
Natural Resources Acc	110.7	116.8	----	-
European Acc	128.9	136.0	----	-
Residential Prop Acc	113.5	119.8	----	-
Swiss Equities Acc	36.4	38.5	----	-
Hong Kong Acc	47.3	49.9	----	-
UK High Inc Eqn Acc	74.9	79.1	----	-
Int Fixed Interest Acc	51.5	54.4	----	-
Int Managed Acc	57.2	60.3	----	-
Group Pension Funds				
Equity Acc	794.8	819.4	----	-

Royal Heritage Life Assurance Ltd – Contd.

Skandia Life Assurance Co Ltd (z)

Frobisher Hse, Nelson Gte, Southampton 0703 334411

Sun Alliance Group

Sun Alliance House, Horsham 0403 64141

Tunbridge Wells Equitable

Abbey Court, Tunbridge Wells 0892 515353

Sharp (Albert E.) & Co.

12 Newhall Street, Birmingham B3 3ER 021 200 2244

Siltala Fund Managers Limited

Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

Royal Bank of Canada Funds

RBC Offshore Fund Managers Ltd

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

هكذا من الأصل

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	Init Charge	Curr Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Luxembourg SA–Contd.						
Dollar Bond		$–	1.96		–0.01	–
Sterling Bond		£–	1.00		–	–
European Currency Bond		Ecu–	1.46		–	7.43
Intl Curr Bond		$–	2.09		–0.04	–
Dollar Reserve		$–	2.03		–	–
Sterling Reserve		£–	1.05		–	–
Deutschmark Reserve		DM–	5.04		–	–
Yen Reserve		Y–	505.00		–	–
Henderson Management SA						
21 25 Allee Scheffer L-2520 Luxembourg 01-638 5757 or 010-352 462232						
Henderson Horizon Fund						
Japanese Portfolio		$–	13.45	14.21	–0.58	–
Japan Smllr Cos P'flio		$–	20.99	21.35	–1.27	–
Pacific Portfolio		$–	11.43	12.07	–0.14	–
Nth American P'flio		$–	4.53	4.80	+0.02	–
European Portfolio		$–	6.31	6.79	–0.32	–
UK Portfolio		$–	5.93	6.26	–0.05	–
Global Portfolio		$–	9.24	9.775	–0.27	–
Fixed Int Portfolio		£–	9.17	9.65	+0.33	–
Int Cas Portfolio		$–	9.54	10.02		–
Dollar Liquidity P'flio		$–	0.8552	0.8574	[illegible]	–
Stlg Liquidity P'flio		£–	1.1704	1.1754	[illegible]	–
Hill Samuel Investment Services Intl SA						
Marktgasse 63/65, 3001 Berne, Switzerland 224051						
HSI Samuel Global Portfolio						
Global Equity			$9.48		–	–
Global Bond			$9.32		–	–
Global Managed			$9.45		–	–
Sterling Fixed Int			£7.46		–	–
European Fixed Int			DM9.90		–	–
UK Equity			£9.11		–	–
UK Smaller Co's Eqty			£9.56		–	–
Nth American Equity			$9.29		–	–
US Smaller Co's Eqty			$9.32		–	–
Japanese Equity			Y941		–	–
European Equity			DM9.56		–	–
Pacific Basin Equity			$9.35		–	–
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 404641						
Atlas Fund						
Global Cap Portfolio		$–	2.429	2.577	[illegible]	0.4
United States Portfolio		$–	2.321	2.462	[illegible]	0.2

	Bid Price	Offer Price	+ or –	Yield Gross
Lazard Fund Managers – Contd.				
Lazard Japan Fund	$49.45	52.15	–	–
Lazard Nth Am	$20.24	21.95	–	1.0
Lazard Sel Port £ Cap	£13.70	14.8	–	–
Lazard Sel Port £ Inc	£9.18	9.67	–	12.7
Lazard Sel Port $ Cap	$13.42	14.40	–	–
Lazard Sel Port $ Inc	$9.55	9.82	–	7.9
Lazard U K	£1.365	1.371	–	3.0
M & G Island Fund				
Intl Inc	450.7	480.7	+5.7	2.90
(Accum Units)	1266.7	1342.7	+11.2	2.90
NM Financial Mgmt Intl Ltd				
Mngd Currency	£6.529	6.659	+0.023	6.18
NM Portfolio Selection Fund Ltd				
Commodity	£1.031	1.096	+0.009	3.39
Far East Gwth	$1.305	1.388	+0.023	0.00
Smaller Co's	£0.959	1.020	+0.002	3.32
Special Sits	£0.966	1.027	+0.007	0.78
Int'l Bond	$0.880	0.936	–0.002	4.94
American Fund	$1.893	2.013	+0.022	2.31
American Smaller Cos	$1.154	1.227	+0.006	0.00
Australian Fund	£1.580	1.680	+0.028	1.91
British Fund	£1.510	1.606	+0.020	5.50
European Fund	£2.137	2.273	+0.028	0.92
Gold Fund	£0.764	0.814	–0.005	0.00
Hong Kong Fund	£1.628	1.731	+0.034	5.73
International Fund	£1.370	1.457	+0.029	0.34
Japanese Fund	£2.799	2.977	+0.086	0.00
Japan Smaller Cos	£4.884	5.195	–0.025	0.00
Singapore & Malaysian	£1.491	1.586	+0.029	0.00
Dollar Fixed Interest	$0.994	1.057	+0.004	6.94
Sterling Fixed Int	£0.893	0.949	+0.001	11.60
Deutschemark Currency		DM5.030	+0.002	2.38
Dollar Currency		$1.004	+0.002	4.91
Sterling Currency		£1.030	+0.002	10.48
Yen Currency		Y201.1	+0.200	1.40
Managed Currency	£0.992	1.054	+0.005	6.94
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3.676	3.713	–	–
New Generation Fd $	$22.74	22.97	–	–
Japan Index Alpha	Y12.705	12.895	–	–
Jap Sector Rotation	Y9.713	9.858	–	–
Stronghold Asset Mngmt (Guernsey) Ltd				

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or –	Yield Gross
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.63	10.64	–	–
Dollar Fd OPUPs	$12.86	13.00	–	–
Sterling Fd BOPUPs	£10.77	10.78	–	–
Sterling Fd OPUPs	£13.78	13.92	–	–
DM Fd BOPUPs	DM10.29	10.30	–	–
DM Fd OPUPs	DM12.62	12.75	–	–
Yen Fd BOPUPs	$8.30	8.31	–	–
Yen Fd OPUPs	$12.72	12.85	–	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Fd	$12.17	12.91	–0.76	0.85
Wells Fargo U.S. IT Fund				
NAV Feb 23		$9.44	–	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$26.01	–	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Gr
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd.	14.82	–	15.66	3-Mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.80	–	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fund	14.66	11.47	15.73	6-Mth
7-day Fund	14.83	11.60	15.93	6-Mth
Special Fund	14.82	–	16.32	Mth
Dollar	7.00	5.48	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc.	13.50	10.56	14.64	Qtr
Mastr Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mastr Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mstr Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6802	
OMNIA (£2,001+)	14.50	11.35	15.94	Mth
HICA (£2,001+)	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000-9,999	13.728	10.750	14.922	Qtr
£10,000+	14.046	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01-601 6746	

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down as yen steadies

WEAK US durable goods orders and intervention by the US Federal Reserve to support the yen led to a slight weakening of the dollar against most major currencies yesterday. January durable goods orders fell a record 10.5 per cent, compared with a revised rise of 1.4 per cent in December. Most of this was concentrated in the transportation industry however, where orders dropped 27.6 per cent, after rising 4.8 per cent in December. A fall in aircraft and parts orders - after an unusually high figure in December on settlement of a strike at Boeing - accounted for nearly half the January decline in transportation orders.

Despite the fact that there were special factors behind the weak durable goods figure the dollar lost ground. It also suffered from news that the Federal Reserve sold dollars against the Japanese yen in New York at Y148.85 and Y148.80. This followed intervention to support the yen by the Bank of Japan in Tokyo and Sydney. The scale of support for the yen by the Japanese central bank was estimated at around $2bn, similar to the support provided on Monday.

Strong speculative buying drove the dollar up to a high of Y149.50 in Tokyo, but it closed at Y149.05 in the Far East after the Bank of Japan's action. At the close in London the US currency had eased to Y148.60, from Y148.80 on Monday.

The dollar also fell to DM1.6840 from DM1.6900; to SFr1.4830 from SFr1.4865; and to FFr5.7025 from FFr5.7200. On Bank of England figures the dollar's index declined to 67.5 from 67.6.

Among members of the European Monetary System trading was quiet. The D-Mark finished firmer against the French franc, rising to FFr3.3860 from FFr3.3845. News that France's consumer price index rose 0.3 per cent in January, against 0.1 per cent in December, had little impact on the market.

Traders in Paris are waiting for publication of the French trade figures today. A deficit of around FFr4.2bn is expected for January, against a surplus of FFr2.21bn in December.

The Italian lira also lost a little ground to the D-Mark. The West German currency rose to L739.75 from L739.05 at the London close.

Against the yen the the D-Mark continued to advance, rising to Y88.25 from Y88.05 at the finish of trading in London.

Sterling weakened nervously ahead of today's UK trade figures for January. The current account deficit is expected to widen to about £1.3bn from £1.1bn in December, on fears that exports will be less buoyant.

The pound eased 10 points to $1.6920 and also declined against other currencies, falling to DM2.8500 from DM2.8600; to Y251.50 from Y252.00; to SFr2.5100 from SFr2.5175; and to FFr9.6475 from FFr9.6850. According to the Bank of England sterling's index fell 0.5 to 89.6.

£ IN NEW YORK

Feb.27	Latest	Previous Close
£ Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.27	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

CURRENCY RATES

Feb.27	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculation. * All SDR rates are for Feb.26

CURRENCY MOVEMENTS

Feb.27	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Feb.26

OTHER CURRENCIES

Feb.27	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	0.4885 - 0.4905	0.2895 - 0.2910
Luxembourg	59.35 - 59.45	35.05 - 35.15
Malaysia	4.5565 - 4.5680	2.7020 - 2.7040
Mexico	4600.35 - 4618.65	2726.00 - 2730.00
N. Zealand	2.8665 - 2.8715	1.6990 - 1.7010
Saudi Ar.	6.3240 - 6.3280	3.7500 - 3.7510
Singapore	3.1435 - 3.1510	1.8635 - 1.8655
S. Af (Cm)	4.3015 - 4.3130	2.5515 - 2.5530
S. Af (Fn)	6.0395 - 6.1495	3.5780 - 3.6430
Taiwan	44.15 - 44.25	26.15 - 26.20
U.A.E.	6.1925 - 6.1960	3.6720 - 3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Feb 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc [illegible].

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb.27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.036	1.754	2.954	260.7	10.	2.602	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.398	0.674	1.135	100.2	3.844	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.311	0.527	0.887	78.28	3.003	0.781	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.474	0.803	1.352	119.3	4.577	1.191	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.495	0.838	1.411	124.5	4.776	1.243	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.684	2.848	4.798	423.4	16.24	4.226	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls [illegible] Puts [illegible]. Previous day's open int. Calls [illegible] Puts [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EUROSDOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 6% NOTIONAL GERMAN GOVT. BOND; US TREASURY BONDS; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF); OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF); THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX; POUND-$ (FOREIGN EXCHANGE); CAC-40 FUTURES (MATIF)

Contract	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

Contract	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Duncan Lawrie	15	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
● Charterhouse Bank	15	Lloyds Bank	15	[illegible]	[illegible]
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.N.East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sacevise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

Rates little changed

INTEREST RATES held fairly steady on the London money market yesterday, with three-month interbank unchanged at 15¾-15⅞ per cent. There was a slightly firmer tone to longer term rates however as sterling weakened on the foreign exchanges, but dealers saw no reason for a change in UK bank base rates in the foreseeable future. One-year money money rose to 15⅝-15⅞ from 15¼-15⅛ per cent.

UK clearing bank base lending rate 15 per cent from October 5

Credit conditions were slightly easier. The Bank of England initially forecast a day-to-day shortage of £550m, but revised this to £600m in the afternoon. Total help of £609m was provided.

Before lunch the authorities bought £296m bank bills outright in band 1 at 14⅞ per cent. In the afternoon another £228m bills were purchased, by way of £152m bank bills in band 1 at 14⅞ per cent and £76m bank bills in band 2 at 14¾ per cent. Late assistance of around £85m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £380m, with Exchequer transactions absorbing £100m and bank balances below target £105m. These factors outweighed a fall in the note circulation adding £50m to liquidity.

In Frankfurt call money rose to 7.95 from 7.80 per cent, on end of month technical factors. The Bundesbank council meets tomorrow, but is not expected to sanction a rise in official interest rates. Discussions by the council are likely to centre on plans for monetary union between East and West Germany. The meeting will be attended by Mr Theo Waigel, the West German Finance Minster.

Lombard borrowing by the commercial banks rose to about DM4.2bn on Monday from only DM500m on Friday, as the market suddenly struggled to meet monthly reserve holdings with the Bundesbank. This was partly because of difficulties caused by Festival celebrations in West German states this week. Holdings fell to DM45.4bn on Friday from DM47bn on Thursday, to average DM59.6bn for the first 25 days of February, against a provisional requirement for the whole month of DM58.5bn.

The result of this week's securities repurchase agreement tender for 34-day and 62-day funds will be published on Thursday. It replaces two earlier pacts worth a total of DM26.9bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.27) 3 months US dollars | 6 months US Dollars

bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed.funds	[illegible]	Three month	[illegible]
Fed.funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Five year	[illegible]
		Seven year	[illegible]
		10 year	[illegible]
		30 year	[illegible]

Feb 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Feb 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period February 28, 1990 to March 25, 1990, Scheme I: [illegible] p.c. Schemes II & III: [illegible] p.c. Reference rate for period Dec 30, 1989 to January 31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate [illegible] from February 1, 1990: Bank Deposit Rates for sums at seven days notice [illegible] per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-twelve months [illegible] per cent; Under £100,000 [illegible] per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

COMPANY NOTICES

TRANSVAAL GOLD MINING COMPANIES

General Meetings

General meetings of members will be held at 44 Main Street, Johannesburg on Thursday, March 29 1990 as indicated:

Southvaal Holdings Limited
10h00
Registration No. 66/11806/06

Vaal Reefs Exploration and Mining Company Limited
10h30
Registration No. 05/17354/06

Western Deep Levels Limited
11h00
Registration No. 57/02349/06

Elandsrand Gold Mining Company Limited
11h30
Registration No. 74/01477/06

The South African Land & Exploration Company Limited
12h00
Registration No. 01/01879/06

(All of which are incorporated in the Republic of South Africa)

The head office and United Kingdom transfer registers and registers of members of the companies will be closed from Saturday, March 24 to Thursday, March 29 1990, both days inclusive, for the purpose of determining those members entitled to attend and vote at the above meetings.

Johannesburg
February 28 1990

AAC

PERSONAL

PUBLIC SPEAKING Overcome the fear and nervousness of public speaking. Phone Leadership Skills Training. 930 2167

LEGAL NOTICES

ADVERTISEMENT OF CREDITOR'S MEETING UNDER SECTION 48(2) OF THE INSOLVENCY ACT 1986

Registered No: 3006058
Registered in England
E C ARNOLD LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Lincolnshire Oak Hotel, East Road, Sleaford, Lincolnshire NG34 7EQ at 1200 hours on Monday 12 March 1990 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditor's committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at E C Arnold Limited, Boston Road, Heckington NG34 9JE, no later than 1200 hours on Friday 9 March 1990 written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 the Insolvency Rules 1986; and

(b) there has been lodged with us at 5 Albion Place, Leeds LS1 6JP any proxy which the creditor intends to be used on his behalf.

Signed: D J Waterhouse — Date: 22/2/90
Joint Administrative Receiver
MACLARNE WATSON & COMPANY LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at 2/3 Dorset Rise, Salisbury Square, London EC4 on Monday, the 5th day of March 1990 at 11.00 am in the forenoon, for the purposes mentioned in Section 99, 100 and 101 of the said Act.

Statements of claim, and proxy forms if applicable, must be lodged at 1 Puddle Dock, Blackfriars, London EC4V 3PD not later than 12 noon on the 2nd day of March 1990.

A list of the names and addresses of the company's creditors may be inspected free of charge, at 105 Queen Victoria Street, London EC4V 4DD on 1st and 2nd March 1990.

Dated this 23rd day of February 1990.

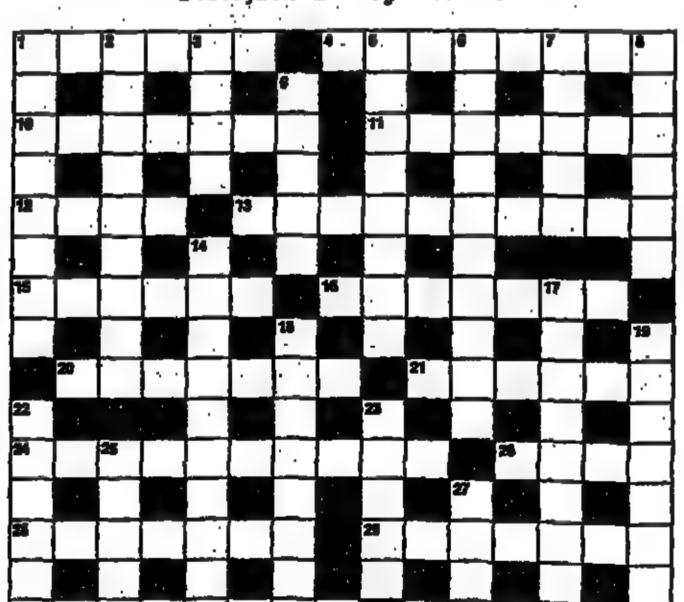
By order of the Board.

M.L. Manning

JOTTER PAD

CROSSWORD

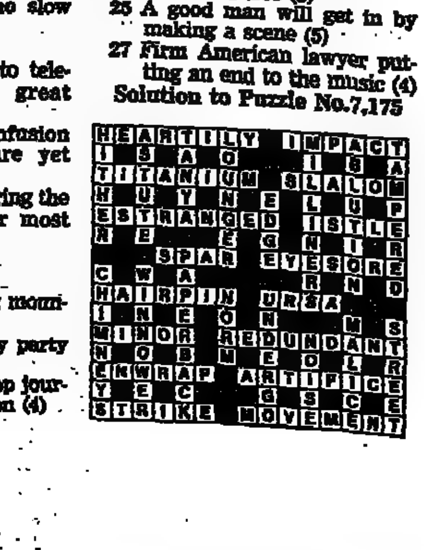
No.7,176 Set by VIXEN



ACROSS
1 A way the young beginner can show lack of interest (6)
4 Business award in force (8)
10 Stick out for a certain scheme (7)
11 Writing of a Greek character engaged in steel-making (7)
12 Poles carrying silver to obtain some mounts (4)
13 All at sixes and sevens, you try TV production about a rider (5-5)
15 Drink for 9? (6)
16 14 as a seat of government (7)
20 Built in stone for rigidity (7)
21 The one-time warning given by the farming community (6)
24 Endorsement of commercial work (10)
26 Not all of those who slow down will get 16 (4)
28 Talk of the sea? (3-4)
29 Taking the trouble to telephone, being a great admirer (7)
30 The Right sees confusion about dope measure yet again (8)
31 A large number entering the examination appear most dull (6)

DOWN
1 It's plain stupid for a mountaineer (8)
2 Set against a lengthy party (9)
3 The man getting a top journalist to pay attention (4)
5 Remain too long because of support given (8)
6 Could be put in a tin – made to be kept (10)
7 Corrupt with gold, which is a roundabout device (5)
8 A keen diary-writer, the first lady – only doubtfully omitting nothing though (6)
9 Some meat hostility from 15 (5)
14 Form one that's among the very best (5,5)
17 Acknowledging a girl seen in a disreputable place (9)
18 Does without nurse and copes (8)
19 A French way – anything not looked for (8)
22 Harry is most oddly garbed (6)
23 Dispute over an attractively-berried tree (5)
25 A good man will get in by making a scene (5)
27 Firm American lawyer putting an end to the music (4)

Solution to Puzzle No.7,175



WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices February 27

MONTREAL
4pm prices February 27

Total Sales 6,631,425 shares.

INDICES

NEW YORK

DOW JONES	Feb 27	Feb 26	Feb 23	Feb 22	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2617.12	2602.48	2564.19	2574.77	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.18	91.03	91.03	91.05	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1116.29	1099.40	1081.26	1076.64	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.88	218.50	216.86	216.86	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2637.84 (2606.31) Low 2592.12 (2560.14)

STANDARD AND POOR'S	Feb 27	Feb 26	Feb 23	Feb 22	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.26	328.67	324.15	325.70	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	380.42	378.51	373.15	375.38	411.20 (2/1/90)	313.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.64	28.60	28.17	28.20	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.16	181.26	179.35	180.28	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	351.40	350.36	351.10	353.35	397.03 (10/10/89)	306.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	422.61	420.95	419.52	422.75	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 23	Feb 16	Feb 9	year ago (approx.)
Dow Industrial Div. Yield	4.26	4.14	4.09	3.75

	Feb 21	Feb 14	Feb 7	year ago (approx.)
S & P Industrial div. yield	3.16	3.11	3.09	3.18
S & P Indl. P/E ratio	14.32	14.21	14.23	13.50

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Am Express	3,416,700	28⅛	− ⅛
Pfizer	2,021,300	59⅛	+ 3⅛
Gen Motors	1,925,900	45	+ ½
IBM	1,722,100	103⅛	− ⅜
Gen Electric	1,708,800	62	+ ⅛
Navistar Intl	1,513,900	3½	—
Philip Morris	1,344,100	37⅛	− ⅛
Am T&T	1,342,600	39½	+ ⅛
Nat Semicondtrs	1,334,600	7⅛	+ ⅛
Fannie Mae	1,231,500	35½	—

TRADING ACTIVITY

† Volumes (Millions)	Feb 27	Feb 26	Feb 23
New York	152.590	142.910	148.490
Amex	13.204	11.239	10.695
NASDAQ	(u)	114.596	117.221
Issues Traded	1,965	1,937	1,948
Rises	903	820	442
Falls	564	634	979
Unchanged	498	483	527
New Highs	17	6	2
New Lows	44	87	92

CANADA

TORONTO	Feb 27	Feb 26	Feb 23	Feb 22	1989/90 HIGH	1989/90 LOW
Metals & Minerals	2946.90	2947.75	2921.03	2936.26	3919.2 (1/9/89)	2921.03(23/2/90)
Composite	3660.28	3649.49	3652.59	3668.62	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1867.02	1862.83	1852.36	1862.13	2069.68(10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 27	Feb 26	Feb 23	Feb 22	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1570.4	1546.2	1581.0	1609.0	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	790.7	781.0	795.4	811.4	875.1 (29/3/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	655.51	645.56	655.58	654.91	663.26 (19/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5619.40	5568.16	5656.33	5659.39	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	367.35	363.06	366.43	367.46	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	651.6	652.0	657.9	661.0	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	494.60	482.94	494.64	493.88	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1825.38	†1804.10	1803.62	1836.91	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	752.57	740.82	751.25	764.90	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2194.9	2161.4	2192.0	2234.2	2378.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1804.32	1776.04	1789.64	1820.15	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2932.62	2872.63	2894.31	2927.92	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1797.85	1792.33	1790.36	1794.22	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	651.77	646.73	661.45	662.45	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	33897.95	33321.87	34890.97	35826.84	38915.87 (29/12/89)	30183.79 (3/1/89)
Tokyo SE (Topix) (4/1/68)	2500.04	2448.31	2554.31	2615.09	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	3963.58	3899.13	4076.43	4132.73	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	592.91	581.50	601.25	607.91	622.30 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttil.Rtn.Gen.(End 1983)	244.1	240.1	242.2	246.1	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	187.3	184.2	185.8	188.6	218.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	796.94	782.34	793.27	805.62	816.41 (16/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1021.85	1025.21	1032.97	1041.22	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	424.77	417.73	428.45	433.15	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1888.06	1857.0	1919.0	1979.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2976.06	2957.0	3022.0	3047.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	859.83	833.81	850.84	863.45	1007.80 (3/4/89)	833.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	272.13	269.19	273.82	276.88	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1169.00	1154.50	1160.40	1156.90	-	-
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	760.0	752.5	759.3	766.1	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11431.20	11086.63	11814.35	11749.13	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	804.82	801.21	818.32	828.58	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	505.2	514.4	523.6	571.8 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 24: Taiwan Weighted Price: 11658.66 Korea Comp Ex. 845.25
♦ Subject to official recalculation. † Correction.
◊Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday February 27 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	17.0m	677	+21
Sharp	14.4m	1,630	+70
Maeda Rd Cstr	10.6m	2,700	+270
Kobe Steel	9.8m	729	+12
Hitachi	9.6m	1,520	+70
Pioneer	9.5m	6,490	+500
Tokyu	8.9m	2,050	+50
Toshiba	7.7m	1,130	+70
Kawasaki Steel	7.7m	713	+10
Fujita	7.0m	1,880	+50

4pm prices February 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.6	18	178	30⅞	30½	30⅞	+ ⅛
9¾	8½	ACM n	1.26	14.		188	9⅛	9⅛	9⅛	– ⅛
11⅝	10½	ACMIn	1.26	11.		555	11⅛	11⅛	11⅛	+ ⅛
9⅞	7⅞	ACM M	n1.01	13.		400	8⅛	8	8	
12⅛	11½	ACMMM				255	11¾	11⅝	11⅝	– ⅛
11½	10	ACM Sc	1.26	11.		782	11⅛	11	11⅛	+ ⅛
9¾	8⅛	ACMSp	1.01	11.		352	9⅛	9	9⅛	+ ⅛
20	11½	AL Lab	.16	.8	21	135	20	19½	20	+ ½
4⅛	3⅛	AMCA	.12e	3.7	41	2	3⅛	3⅛	3⅛	+ ⅛
6⅛	3⅝	AM Intl			8	177	3¾	3⅝	3¾	
23½	16⅛	AM In pf	2	12.		21	17	16⅞	16⅞	+ ⅛
107¼	52½	AMR			8	10410	59⅞	58⅝	59½	+1
27	25	ANR pf	2.67	11.		2	25¼	25¼	25¼	
6½	3⅛	ARX				26	3⅛	3⅛	3½	+ ⅛
72¾	39	ASA	3a	6.7		1819	52½	51¼	52⅝	+1¼
70⅛	50⅛	AbtLab	1.40	2.2	16	1906	64	63⅝	63½	
17¼	11¼	Abitibi g	.50			357	12⅛	12½	12½	
13	8⅞	AcmeC	.40	4.1	11	99	9⅞	9⅝	9⅞	+ ⅜
9¼	6	AcmeE	.32	3.6	11	21	8⅞	8⅞	8⅞	
38½	27	Acusn			20	277	33	32⅛	32⅛	+ ⅝
16½	12⅞	AdaEx	2.08e	13.		102	15½	15⅛	16⅛	+ ⅛
15⅜	7¼	Adobe				209	13¼	13	13¼	+ ⅛
20¼	16⅞	Adob pf	1.84	9.7		9	19	18¾	19	+ ¼
21⅝	19⅞	Adob pf	2.40	11.		5	21⅛	21⅛	21⅛	– ⅛
10½	8⅞	AMD			6	11521	8⅞	8⅝	8⅞	+ ⅜
35	28¼	AMD pf	3	10.		22	29⅞	28⅝	29⅞	+ ⅞
10⅛	5	Advest	.16	2.5	9	295	6½	6¼	6½	+ ¼
62½	48½	AetnLf	2.76	5.5	9	1938	50¾	50¼	50½	+ ½
14	9⅞	AfilPb	.24	2.3		444	11	10⅝	10⅝	– ⅛
25	16⅛	Ahmans	.88	4.8	10	3744	18½	18	18	– ¼
3⅞	2	Aileen				4	2⅛	2⅛	2⅛	

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices February 27

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices February 27

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES Wednesday February 28 1990

AMERICA

Dow advances in spite of poor figures on durables

Wall Street

A REBOUND in Japanese stocks overnight and the healthy rally on Wall Street on Monday helped US shares to overcome a record fall in US durable goods orders last month and register a modest gain, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 14.64 points higher at 2,617.12 on low volume of 153m shares. At one point, the Dow had stood more than 25 points higher. On Monday, the Dow had added 38.29 points to close at 2,602.48, in spite of the second largest ever plunge in Tokyo overnight.

Other key US indices were also higher yesterday although large capitalisation issues still outperformed smaller, secondary stocks.

Prices started the session rather flat but then the improved mood seen on Monday took hold again and blue chips started making steady gains. There was hardly any reaction to news of a 10.5 per cent plunge in US durable goods orders in January, much larger than analysts had expected. This was partly because weakness in orders was concentrated in the transportation sector, without which orders fell by 3.4 per cent.

Mr Alan Greenspan, chairman of the US Federal Reserve, who was yesterday testifying before the Senate Finance Committee, said that the trend of orders was basically flat.

US Treasury bonds provided a positive background to the stock market, quoted around $\frac{5}{16}$ point higher at the long end of the yield curve in late trading in response to the weakness in durable goods orders and a strong dollar.

Although the mood in the equity market is still nervous because of the fragility of financial markets in Japan – and there was profit-taking in the afternoon – Monday's proof that Wall Street could disengage to an extent from events overseas has improved confidence.

Technical analysts still noted that Monday's gain and the improved performance yesterday had to be seen in the context of last week's string of four daily falls, with the Dow dropping more than 70 points. There was clearly some scope for bargain hunting.

Among featured stocks was American Express, which fell $⅝ to $28⅛ after news late on Monday that it planned to pour another $750m into its troubled brokerage subsidiary, Shearson Lehman Hutton. Shearson at the same time scrapped its plans for a $250m rights offering, citing unsettled market conditions. Shearson added $1¼ to $11⅞.

Goodyear Tire & Rubber added $¼ to $33½ although Pirelli of Italy denied rumours that the two companies were contemplating a merger.

F.W. Woolworth gained $¾ to $59⅜ after reporting fourth quarter net income of $2.73 a share from $2.23 a share a year ago while K Mart, another retailer, added $⅞ to $34¾. K Mart said that it planned to accelerate its programme of store openings and renovations.

EUROPE

Banking sector improves in general rally

A DAY of follow-my-leader, with bourses following Wall Street and Tokyo, saw improvement in many banks as interest rate fears subsided, *writes Our Markets Staff.*

FRANKFURT picked up, in prices and in volume; but this was generated mainly by traders, rather than investors. After a midsession rise of 11.75 to 752.57 in the FAZ index, the DAX closed the day 28.53 better at 1,804.32, in volume up from DM3.7bn to DM5.7bn.

"Investors are asking about strategy rather than stocks," said one observer, "which means that they are not really interested in buying." Similarly, not many investors wanted to sell. This led to lack of liquidity in the market, and to volatility in individual stocks when business did come along.

Bonds improved again and banks recovered some of their losses, Dresdner rising DM14 to DM414 and BHF Bank DM20 to DM468. In carmakers, Volkswagen and BMW bounced back into favour, with rises of DM18.80 and DM13.50 to DM557 and DM532, respectively.

PARIS welcomed both Wall Street's overnight and opening gains, but turnover remained thin as investors hung back, waiting for stability to return to the international scene. The CAC 40 index gained 21.28 to 1,825.38, after a high of 1,835.00, with turnover estimated at FFr2bn or less, similar to Monday's FFr1.8bn.

A lower-than-anticipated inflation figure for January boosted the market, coming in at 0.3 per cent, compared with expectations of 0.4 per cent.

Peugeot finished FFr4 lower at FFr775, after reaching FFr808 in early trading. Investors took profits after noting an easing of buying pressure; volume declined to 273,950 shares, compared with 427,850 on Monday, although Peugeot remained one of the day's most active stocks.

Pechiney International, a unit of the state-owned metals group, Pechiney, fell FFr7.80 to FFr142 after analysts downgraded their profit forecasts.

ZURICH saw the Crédit Suisse index up 6.9 to 603.7 in thin trading. Union Bank of Switzerland responded to last week's results, rights issue and capital restructuring, with its bearers up SFr75 to SFr3,820, the registered by SFr27 to SFr904 and the participation certificates by SFr2.50 to SFr151.50.

CS Holding, parent of Crédit Suisse, gained SFr65 to SFr2,360 while, among the insurances, Winterthur rose SFr130 to SFr3,860.

MILAN featured banks again, this time on the upside as the Comit index recovered 5.04 to 651.77. Banca Commerciale Italiana, expected to figure prominently in a restructuring of the sector, rose L85 to L4,650 and Mediobanca, the Milan merchant bank, gained L360 to L17,790.

AMSTERDAM rose in quiet trading, the CBS tendency index improving by 1.9 to 106.5 and company results providing the focus.

Unilever gained Fl 1.10 to Fl 139.50 after reporting 1989 net profits of Fl 3.25bn, up from Fl 3.02bn. Akzo, the chemical company, gained Fl 3.20 to Fl 117.70 after Monday's 13 per cent rise in net profits. In the same sector, DSM rose Fl 3.40 to Fl 107; it reports results on March 12.

Among the banks, Amro gained Fl 1.10 to Fl 74.90 before today's results and ABN, due to report on Friday, picked up 70 cents to Fl 37.80.

STOCKHOLM advanced 1.3 per cent in moderate trade after the formation of a new Swedish cabinet. Turnover was SKr312m and the Affärsvärlden index rose 14.5 to 1,169.0.

The link-up between Volvo and Renault unveiled on Friday took Volvo's free Bs up a further SKr12 to SKr422. SKF, the ball-bearing company, reported 1989 profits up 63 per cent to SKr2.47bn but said growth would taper off in 1990. Its free Bs rose SKr5 to SKr160.

BRUSSELS firmed in light trading worth only BFr366m. The cash market index rose 51.24 to 5,619.40.

Petrofina, the oil group, was the most active stock after confirming that it had signed a six-year $100m oil exploration and production-sharing contract with Libya. It rose BFr200 to BFr10,400 as 11,000 shares changed hands.

FN, the arms maker, put on BFr17 to BFr347 in spite of concern about losses. Buying was speculative, following a management reshuffle.

OSLO closed higher with support from firmer oil prices. The all-share index climbed 12.21 to 607.06 in fair trading worth a total of NKr407m.

MADRID regained some of Monday's loss, as the general index rose 2.94 to 272.13. The banks continued to perform poorly, however, with the exception of Banco Popular, which gained Pta100 to Pta8,300.

THE VIENNA stock exchange expects further strong growth this year after a five-fold rise in turnover in 1989, said Mr Gerhard Wagner, the bourse president, yesterday. Turnover rose to Sch37.6bn ($3.2bn) last year from Sch7.6bn in 1988, according to the bourse's annual report. Turnover last month was Sch10bn, up from Sch1.3bn in January 1989. The market index surged 111 per cent in 1989 and has risen about 34 per cent this year, closing yesterday at 693.31, up 7.05. Mr Wagner said that he expected about six to 10 new companies to be listed on the exchange this year. Glanzstoff Austria, a subsidiary of Lenzing, the synthetic fibre manufacturer, would be introduced in April, with Hungary's Ibusz travel agency expected in May, Reuter reports.

Canada's gentle introduction to foreign markets

Bernard Simon explains the likely effects of changes in fund rules

THE TORONTO market has produced a lifeless response to last week's Canadian budget. The metals and minerals index and the *Toronto composite index* both continued to ease back, and yesterday's midsession rises, of 3.89 to 3,951.64 and 14.7 to 3,664.1 respectively, left them 1 and 0.8 per cent lower over the week since the announcement.

However, changes which go far beyond a shift in portfolio strategy are in store for the Canadian investment community, which has been fairly parochial until now, following the Government's decision to double the limit on pension funds' foreign investments. This could move as much as C$15bn (US$12.5bn) into new and often unfamiliar investments over the next five years.

The shift in emphasis may take time. The ceiling is being raised from 10 per cent to 20 per cent gradually, rising by two percentage points a year. Mr Tullio Cedraschi, president of Canadian National Railways' pension fund, the second biggest in the country, predicts: "Most people will continue to do at 12 per cent [at the *end of the first year*] what they were doing at 10 per cent. Only as the limit goes up towards 20 per cent will they realise that they have much more money to invest abroad."

Canada's 1,500 pension funds have total assets of about C$170bn, with almost three-quarters in the hands of 100 funds. Mr Ian McKinnon, president of the Pension Investment Association, estimates that the funds will switch C$1.5bn to C$2bn a year into foreign investments under the new rules, plus C$1bn from their cash flow. At present, they invest about C$1bn a year outside Canada.

The bulk of the institutions' present foreign holdings are in the US. Many of those which have never dipped into foreign markets are likely to start south of the border, where companies and markets are relatively familiar but where a wider spread of investments is available than in Canada.

Bigger investors however, will probably put a greater emphasis on seeking out the opportunities not available in Canada, wherever they may be, as well as those previously not considered an essential part of a portfolio.

Several investment advisers and pension fund managers agree, for instance, that international pharmaceutical and consumer products stocks, such as Ciba-Geigy, Nestlé, Johnson & Johnson and Kellogg's, will be among the favourite targets. With the Canadian banks now bit players on the international stage, big foreign banks are also *likely to be popular.*

Mr Harry Gibb, manager of Air Canada's pension fund in Montreal, says the fund will probably put some of its extra foreign allowance into offshore fixed-income securities, an area it had ignored. The fund has been more interested up to now in foreign equities, on the grounds that they were more likely to offset the risk of a slump in North America.

Many larger institutions will be looking for ways of expanding their knowledge of markets in the US, Europe and the Pacific. Smaller investors and the many public sector pension funds, which have recently begun to be more imaginative *in their investment policies,* will probably seek outside expertise, creating a growth market for both foreign and local investment advisers.

GAINS among bank and transportation issues boosted prices in Toronto and the composite index closed 10.79 higher at 3,660.28. Volume was 19.9m shares, worth C$240.2m, down from Monday's 21.8m shares valued at C$252.3m.

ASIA PACIFIC

Nikkei finishes day of wild swings with a flourish

Tokyo

WILD SWINGS on the futures market dominated activity in the stock market yesterday, where the Nikkei average fluctuated over a range of more than 1,000 points before closing 576.08 higher, its ninth largest *gain ever, writes Michiyo Nakamoto in Tokyo.*

In the morning, a wave of buying lifted the Nikkei index by more than 600 points. By mid-afternoon, however, massive selling on the futures market pulled the index almost 500 points below the previous day's close, before it recovered to finish at 33,897.95, up 1.7 per cent, after Monday's 4.5 per cent plunge. Advances led declines by 822 to 160, with a further 101 issues unchanged.

Turnover rose to 565m shares from the 457m traded on Monday. The Topix index of all listed shares gained 51.73 to 2,500.04 and, in London trading, the ISE/Nikkei 50 index fell 4.15 to 1,849.26.

The direction of trading was mostly dictated by activity on the futures market, where floods of selling were followed by waves of buying. On the positive side was the previous day's calm reaction by Wall Street to Monday's plunge in Tokyo. On the negative side were a weaker yen and lower bonds, as well as the persistent uncertainty about the market's outlook.

Programme trading by both Japanese and foreign arbitrageurs unwinding their futures positions added to the turmoil, with substantial sell orders executed in midsession, according to Japanese brokers.

On Monday, the exchange requested member firms to restrict futures-related selling to a short period after the opening of each session, to minimise its effects. Almost half of the day's overall trading takes place just after the opening of the sessions, so the concentration of selling at those times would help to reduce the downward pressure on share prices, said a TSE official. If a wave of selling hits the market when trading is less active, the downward pressure on share prices is much greater.

The TSE request seemed to be widely ignored. "As long as there is a futures market, it is difficult to restrict such trading in that way," said a broker at a leading Japanese firm. An official at the stock exchange, however, said that the request seemed to have been honoured satisfactorily, pointing out that the market had risen both in the morning and at the close.

While there was still uncertainty about whether the market had reached a bottom yet, *investors tested the waters* with small-lot buying in a few issues and dealers were said to have given the market considerable support.

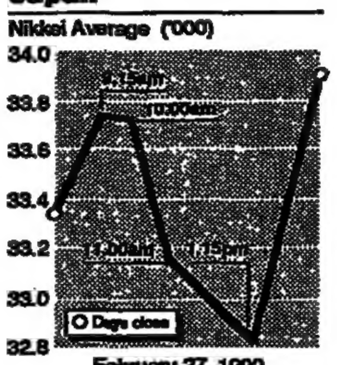
The targets of buying were the construction and electrical sectors. Constructions were expected to benefit from demands by the US that Japan invest more heavily in infrastructural improvements, and were seen as a safe bet because of their good earnings records. Maeda Road Construction, the third most actively traded issue with 10.6m shares, advanced Y270 to Y2,700 and Fujita, a medium-sized company, rose Y50 to Y1,860.

Electricals, particularly *high-priced issues, were also* pursued. They were considered to be attractive not only on an earnings basis, but also because they are thought likely to be included in new investment trust funds, expected to be launched today. Pioneer gained Y500 to Y6,490 and Sharp, second in volume with 14.4m shares traded, rose Y70 to Y1,830.

The recovery in Osaka was also impressive, with the OSE average gaining 725.65 to 35,422.77. Volume grew from the 73m shares traded on Monday to 93m.

Japan

Nikkei Average ('000)



February 27, 1990

Roundup

REGIONAL markets recovered Monday's losses, encouraged by Tokyo's strong finish yesterday, with only the Philippines declining on political worries.

SINGAPORE rebounded strongly across the board, with short-covering and bargain-hunting after Monday's decline. The Straits Times industrial index rose 28.53, or almost 2 per cent, to 1,535.09 and turnover swelled to 159m shares from Monday's 139m.

Sime Singapore, the investment holding company which made its debut yesterday, topped the active list with 27m units changing hands. It closed at S$1.55 against its issued price of S$1.15.

Sembawang Shipyard, the shipbuilding, repair and maritime group which controls Singapore's second-largest shipyard, added 10 cents to S$7.10 after reporting group pre-tax profit up 64.7 per cent to S$61 last year.

HONG KONG made a strong climb, with investors encouraged by Tokyo's recovery and Wall Street's resilience. The Hang Seng index rose 59.99, or 2 per cent, to 2,932.62. Turnover was moderate at HK$1.1bn, up from HK$990m on Monday.

Sime Darby, the diversified conglomerate which announced six-month net profits up 37 per cent at HK$132m, added HK$6 to HK$306.

AUSTRALIA recovered after Monday's slide, as the All Ordinaries index rose 24.2 to 1,570.4. National turnover was 76m shares, worth A$183m.

Bougainville Copper, the resources group, rose 8 cents to A$1.20, as hopes grew of an end to its dispute with Papua New Guinea landowners.

Bell Resources, once the cash-rich arm of Mr Alan Bond's debt-ridden business empire, remained suspended before delivering the biggest half-year loss in Australian corporate history, of A$862.5m. The announcement was made as the market closed.

NEW ZEALAND welcomed Wall Street's overnight rise by rebounding 1.3 per cent, after Monday's fall of more than 3 per cent. The Barclays index closed up 23.26 at 1,762.57.

KUALA LUMPUR was encouraged by Tokyo's strong close and Wall Street's overnight rise; the composite index gained 11.41 to 592.91.

SEOUL rose sharply on hopes that the Government would soon introduce measures to boost the market. The *composite index* gained 26.02 points, or 3.1 per cent, to 859.53 in moderate trading.

TAIWAN was relieved to see Tokyo turn stronger and bounced up 3.1 per cent, after its 4.9 per cent fall the previous day. The weighted index rose 344.57 to 11,431.20 in volume of 771m shares valued at NT$125bn, compared with Monday's 796m and NT$116bn.

MANILA was fearful of political unrest, before the arrest of Mr Juan Ponce Enrile, an opposition senator, which happened after the close. The composite index slipped 8.36 to 1,021.85 in light trading.

SOUTH AFRICA

MOST LEADING shares closed slightly firmer as Johannesburg stabilised in cautious trading after the sharp falls of the previous two days. A weaker financial rand provided added support for prices. Among gold shares, Vaal Reefs was up R6 at R376 while Beatrix put on R1.50 to R29. In the industrial sector, Barlows gained R1 to R44.75 after its R1.25 fall on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 27 1990						MONDAY FEBRUARY 26 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	139.39	+0.9	122.14	121.91	+1.5	5.51	138.09	120.93	120.09	160.41	128.28	133.95
Austria (19)	164.01	+1.0	131.34	231.56	+0.9	1.15	161.29	128.82	229.41	266.08	92.94	101.41
Belgium (61)	134.02	+1.4	117.44	116.01	+1.2	4.80	132.11	115.69	114.68	160.02	125.58	130.97
Canada (120)	138.10	+0.5	121.01	119.45	+0.2	3.41	137.42	120.34	119.16	154.17	124.67	131.76
Denmark (38)	249.36	+1.0	218.49	219.84	+1.4	1.46	246.61	215.09	216.72	266.02	163.95	165.59
Finland (26)	147.98	-0.1	129.66	123.21	0.0	2.41	148.15	129.74	123.20	159.16	118.63	140.50
France (125)	145.90	+1.6	126.86	128.72	+1.3	2.82	141.69	124.08	127.13	157.87	112.67	114.64
West Germany (96)	125.35	+1.3	109.83	109.74	+1.5	1.93	123.04	107.75	108.10	137.01	78.58	84.32
Hong Kong (46)	119.99	+2.1	105.14	120.27	+2.1	4.85	117.51	102.91	117.82	140.33	88.41	126.85
Ireland (17)	160.73	+0.6	126.25	160.42	+0.6	2.57	168.84	165.20	168.38	186.17	125.00	143.19
Italy (96)	93.02	+1.0	81.51	88.54	+0.8	2.65	92.07	80.63	85.88	102.11	74.97	80.14
Japan (455)	162.87	+2.2	142.72	162.99	+2.0	0.53	159.43	139.62	149.96	202.11	159.43	195.53
Malaysia (36)	234.11	+1.4	205.14	243.71	+1.1	2.70	230.96	202.26	240.45	242.52	143.33	155.18
Mexico (13)	393.90	+2.1	345.15	1174.87	+2.0	0.44	385.85	337.90	1152.13	393.90	153.32	154.00
Netherland (43)	133.28	+1.8	116.79	115.46	+1.5	4.75	130.97	114.69	113.72	145.66	110.63	112.86
New Zealand (18)	62.65	+1.1	54.89	56.55	+1.2	6.10	61.96	54.26	55.90	68.18	61.96	69.98
Norway (24)	233.84	+1.9	204.90	206.36	+1.9	1.59	229.50	200.97	202.63	241.98	139.92	164.38
Singapore (26)	189.71	+1.7	166.23	163.00	+1.6	1.78	186.45	163.28	160.18	199.39	124.57	130.96
South Africa (60)	199.12	+0.2	173.60	168.34	+1.1	3.59	197.73	173.21	164.98	251.39	115.95	120.89
Spain (43)	149.14	+0.9	130.69	122.53	+0.9	4.28	147.87	129.50	121.49	169.75	143.14	144.49
Sweden (35)	184.38	+1.7	161.56	165.64	+1.7	2.19	181.29	158.76	163.78	208.95	138.45	152.69
Switzerland (62)	94.90	+1.5	83.15	87.26	+1.3	2.12	93.48	81.86	86.13	93.12	67.81	75.55
United Kingdom (306)	155.00	+0.2	135.82	135.82	+0.2	4.73	154.73	135.50	135.50	164.31	133.28	140.50
USA (542)	133.72	+0.5	117.17	133.72	+0.5	3.55	133.04	116.50	133.04	148.29	112.13	117.67
Europe (969)	138.22	+1.0	121.12	121.29	+0.9	3.57	136.87	119.86	120.26	146.66	112.63	117.28
Nordic (121)	190.35	+1.6	166.80	163.10	+1.5	1.84	187.48	164.16	160.63	201.88	137.95	149.45
Pacific Basin (667)	160.57	+2.1	140.52	150.44	+2.0	0.61	157.05	137.54	147.49	194.72	157.05	190.14
Euro - Pacific (1656)	151.77	+1.7	132.99	139.00	+1.6	1.83	149.24	130.70	136.84	174.16	141.56	160.97
North America (662)	133.88	+0.5	117.32	132.82	+0.5	3.54	133.21	116.65	132.17	148.66	112.79	118.41
Europe Ex. UK (663)	126.75	+1.5	111.06	112.59	+1.3	2.98	124.83	109.31	110.91	133.21	96.30	99.33
Pacific Ex. Japan (212)	129.93	+1.4	113.85	117.79	+1.7	4.86	128.16	112.23	115.84	140.05	111.93	125.71
World Ex. US (1849)	151.89	+1.6	133.09	136.82	+1.6	1.90	149.44	130.87	136.74	173.77	141.49	159.64
World Ex. UK (2085)	143.36	+1.4	125.61	137.11	+1.3	2.19	141.39	123.82	135.35	162.05	136.26	143.24
World Ex. So. Af. (2331)	144.05	+1.3	126.22	136.82	+1.2	2.42	142.23	124.55	135.20	161.84	136.87	143.59
World Ex. Japan (1936)	136.28	+0.7	119.41	136.28	+0.7	3.60	135.29	118.48	127.98	145.52	114.51	118.45
The World Index (2391)	144.38	+1.3	126.51	136.98	+1.2	2.43	142.57	124.85	135.34	162.05	136.69	143.50

Trading on the Helsinki exchange has been reduced following a banking employees dispute.